U.S.$300,000,000

BICBANCO

Banco Industrial e Comercial S.A.

(incorporated as a sociedade por ações under the laws of the Federative Republic of Brazil)

8.50% Subordinated Notes due 2020

Banco Industrial e Comercial S.A., or the Bank, is offering U.S.$300,000,000 aggregate principal amount of 8.50% subordinated notes due 2020, or the notes. The notes will mature on April 27, 2020. Interest on the notes will accrue from and including April 27, 2010 and will be payable semi-annually in arrears on April 27 and October 27 of each year, commencing on October 27, 2010. See "Description of the Notes."

The notes will be unsecured and subordinated obligations of the Bank. The notes will be effectively junior to the Bank's senior liabilities. Payment of principal on the notes may be accelerated only in the case of certain events involving the Bank's bankruptcy, liquidation or dissolution or similar events, and the Bank will only be required to make payment on acceleration of the notes after it has been declared bankrupt, put into liquidation or otherwise dissolved for purposes of Brazilian law. There will be no right of acceleration of the notes in the case of a default in the Bank's performance of any of its covenants, including the payment of principal or interest in respect of the notes.

If the Bank is not in compliance with operational limits required by current or future regulations generally applicable to Brazilian banks, or the risk-based capital requirements, or if the payment of interest or principal would cause the Bank to fail to be in compliance with those operational limits, the Bank may defer that payment of interest or principal until it is in compliance with those operational limits and the payment of interest or principal would no longer cause the Bank to fail to be in compliance with those operational limits.

The Bank has a one-time right to amend the terms of the notes without the consent of the holders solely to comply with the requirements of the Brazilian Central Bank, or the Central Bank, to qualify the notes as Tier II capital pursuant to the Brazilian National Monetary Council (*Conselho Monetário Nacional*), or the CMN, Resolution 3,444 of February 28, 2007, as amended, or CMN Resolution 3,444. The Bank is however not permitted to make any amendments without consent of the holders if those amendments would affect the interest rate of the notes, the cumulative nature of interest payments due on amount in arrears, the outstanding principal amount of the notes, the ranking of the notes or the original maturity date of, or any interest installment on, the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 17.

Application has been made to the Luxembourg Stock Exchange to approve these listing particulars and to admit the notes to listing on the Official List, and to trading on the Euro MTF Market, of the Luxembourg Stock Exchange. This offering memorandum constitutes a prospectus for the purpose of the Luxembourg Law on prospectuses for securities dated July 10, 2005.

Price: 99.174% of the principal amount

There is currently no public market for the notes. The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or under any state securities laws. The Bank is only offering the notes to qualified institutional buyers as defined in Rule 144A and to non-U.S. persons outside the United States in compliance with Regulation S. Prospective purchasers who are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Transfer Restrictions."

The Bank expects that the notes will be ready for delivery in book-entry form through The Depository Trust Company and its direct and indirect participants, including Clearstream Banking, *société anonyme*, Luxembourg and Euroclear Bank S.A./N.V., on or about April 27, 2010.

Joint Bookrunners

HSBC **J.P. Morgan** **Standard Chartered Bank**

Co-Manager

BNP PARIBAS

The date of this offering memorandum is April 20, 2010.

You should rely only on the information contained in this offering memorandum. The Bank, HSBC Securities (USA) Inc., J.P. Morgan Securities Inc. and Standard Chartered Bank (together, the initial purchasers), or their affiliates have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Bank is not, and the initial purchasers are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. This document may only be used where it is legal to offer and to sell the notes. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum. The Bank's business, financial condition, results of operations and prospects may have changed since that date.

In this offering memorandum, unless otherwise indicated or the context otherwise requires, all references to the "Bank" or similar terms refer to Banco Industrial e Comercial S.A. and its consolidated subsidiaries, and references to the "issuer" are to Banco Industrial e Comercial S.A.

The Bank is relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The notes offered are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them. By purchasing the notes, you will be deemed to have made the acknowledgements, representations and warranties and agreements described under the heading "Transfer Restrictions" in this offering memorandum. You should understand that you may be required to bear the financial risks of your investment for an indefinite period of time.

The Bank has prepared this offering memorandum for use solely in connection with the proposed offering of the notes outside of Brazil. This offering memorandum is personal to the offeree to whom it has been delivered by the initial purchasers and does not constitute an offer to any other person or to the public in general to acquire the notes. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise that offeree with respect thereto, is unauthorized, and any disclosure of any of its contents without the Bank's prior written consent is prohibited. Each offeree, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees not to make any photocopies of this offering memorandum in whole or in part.

The Bank and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum.

The Bank, having made all reasonable inquiries, confirms that the information contained in this offering memorandum is true and accurate in all material respects, that the opinions and intentions it expresses in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Bank accepts responsibility accordingly. This offering memorandum summarizes certain documents and other information and the Bank refers you to them for a more complete understanding of what it discusses in this offering memorandum. In making an investment decision, you must rely on your own examination of the Bank and the terms of the offering and the notes, including the merits and risks involved.

The Bank is not making any representation to any purchaser of the notes regarding the legality of an investment in the notes under any laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

Application has been made to admit the notes to listing on the Official List, and to trading on the Euro MTF Market, of the Luxembourg Stock Exchange. The Euro MTF is not a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Luxembourg Stock Exchange's Euro MTF Market takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

Neither the U.S. Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The notes have not been and will not be issued nor placed, distributed, offered or traded in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended (*Lei do Mercado de Capitais*), or the Capital Markets Law, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. The notes will not be offered or sold in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation. Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither the Bank, the initial purchasers, nor their respective affiliates will have any responsibility therefor.

This offering memorandum has been prepared on the basis that all offers of the notes within the European Economic Area, or EEA, will be made pursuant to an exemption under Directive 2003/71/EC (together with any applicable implementing measures in any Member State of the EEA, the Prospectus Directive) from the requirement to produce a prospectus for offers of the notes. Accordingly, any person making or intending to make any offer within the EEA of the notes should only do so in circumstances in which no obligation arises for the initial purchasers or the Bank to produce a prospectus for that offer.

The Bank expects that delivery of the notes will be made against payment therefor on or about the date specified on the cover of this offering memorandum, which is the fifth business day following the date of pricing of the notes (such settlement cycle being referred to as T+5). You should note that trading of the notes on the date of pricing or the next five succeeding business days may be affected by the T+5 settlement. See "Plan of Distribution."

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS

Notwithstanding anything set forth herein or in any other document related to the notes, you and each of your employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and the tax structure of the transaction described herein and all materials of any kind, including any tax analyses that the Bank has provided to you relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorization to disclose the identity of the Bank or the initial purchasers or their respective affiliates, agents or advisers or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.

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FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "plan," "target," "project," "forecast," "guideline," "should," and similar words are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. These statements appear in a number of places in this offering memorandum, principally in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and include statements regarding the intent, belief or current expectations of the Bank or those of its officers with respect to, among other things, the use of proceeds of the offering, the Bank's financing plans, trends affecting the Bank's financial condition or results of operations, the impact of competition and future plans and strategies. These statements reflect the Bank's views with respect to such matters and are subject to risks, uncertainties and assumptions, including, among other things:

- increases in defaults by customers and in impairment losses;
- general economic, political and business conditions, both in Brazil and abroad;
- management's expectations and estimates concerning the Bank's future financial performance, financing plans and programs, and the effects of competition;
- anticipated trends and competition in the Brazilian banking and financial services industries;
- the market value of securities issued by the government of the Federative Republic of Brazil, or the Brazilian government;
- interest rate fluctuations, inflation and fluctuations in the value of the *real* in relation to the U.S. dollar;
- existing and future laws, regulations and policies governing or affecting the Bank's business;
- increases in defaults by borrowers and other loan delinquencies and increases in the allowance for loan losses;
- customer loss, revenue loss and deposit attrition;
- the Bank's ability to sustain or improve performance;
- the impact of competition;
- adverse judgments in legal or regulatory disputes or proceedings;
- credit, market and other risks of lending and investment activities; and
- other risks as set forth under "Risk Factors."

Forward-looking statements reflect only the Bank's current expectations and are based on the Bank's management's beliefs and assumptions and on information currently available to the Bank's management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including, but not limited to, those identified under "Risk Factors" in this offering memorandum. Forward-looking statements speak only as of the date they are made, and the Bank does not undertake any obligation to update publicly or revise any forward-looking statements because of new information, future events or other factors. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this offering memorandum might not occur.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The financial information related to the Bank's consolidated balance sheets and consolidated statements of income as of and for the years ended December 31, 2009, 2008 and 2007, included elsewhere in this offering memorandum, are derived from the Bank's consolidated financial statements prepared in accordance with Brazilian GAAP, and are based on (i) Brazilian law No. 6,404, of December 15, 1976, as amended, or Brazilian Corporate Law, and the changes introduced by Law No. 11,638/07, (ii) the rules and regulations of the CVM, (iii) the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), or IBRACON, and the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*), or CFC, and (iv) the rules and regulations issued by the National Monetary Council (*Conselho Monetário Nacional*), or CMN, and the Central Bank of Brazil (*Banco Central do Brasil*), or Central Bank.

The rules of the Central Bank require the consolidation of the financial information relating to an economic group, defined as "the group of entities whether directly or indirectly related by equity interest or actual operating control, characterized by common management or by performance of activities in the market under the same trademark or name," pursuant to basic rule 21 of the Financial System Accounting Plan (*Plano Contábil das Instituições do Sistema Financeiro Nacional*), or COSIF. Accordingly, the financial information related to BIC Administradora de Cartões de Crédito S/C Ltda., or BIC Cartões, BIC Arrendamento Mercantil S.A., or BIC Leasing, BIC Distribuidora de Títulos e Valores Mobiliários, or BIC Distribuidora, and BIC Informática S.A., or BIC Informática, which are the Bank's wholly owned subsidiaries, are consolidated in the financial statements included elsewhere in this offering memorandum. In the preparation of the consolidated financial statements, direct and indirect interest, the balances of accounts and income and expenses resulting from transactions between companies integrating the Bank's economic group are eliminated.

Certain amounts contained herein have been rounded and, therefore, the totals presented in certain tables may not represent an arithmetical aggregation of the amounts that precede them.

Brazilian GAAP differs in certain significant respects from U.S. GAAP and from International Financial Reporting Standards, or IFRS. The financial statements and the consolidated financial statements of the Bank and its subsidiaries contained in this offering memorandum differ from those that would be prepared based upon U.S. GAAP or IFRS. The Bank has made no attempt to identify or quantify the impact of those differences. No reconciliation to U.S. GAAP or IFRS of any of the financial statements presented in this offering memorandum has been prepared for the purpose of this offering memorandum or for any other purpose. There can be no assurance that reconciliations would not identify material quantitative differences as well as disclosures and presentation differences between the Bank's consolidated financial statements as prepared in accordance with Brazilian GAAP and the financial statements as prepared under U.S. GAAP or IFRS.

Operating Information

Information relating to average balances and volumes included in this offering memorandum is calculated based upon balances and volumes at December 31 of the previous year and at the month-end balances of the 12 subsequent months. Average rate data has been calculated based on income and expenses for the period, divided by the balances computed as mentioned above. Interest income and expense include interest and, if contractually provided for: (i) foreign exchange gains and losses on the Bank's interest-earning assets and interest-bearing liabilities denominated in foreign currencies; and (ii) gains and losses in the Bank's securities portfolio and in derivative instruments.

Information Relating to the Credit Portfolio

CMN Resolution No. 2,682 of December 21, 1999, as amended, or CMN Resolution No. 2,682, establishes risk rating classifications in accordance with criteria for credit portfolio classification and rules for the creation of allowances for loan losses. The Bank adopts the criteria below for the internal classification of clients and operations:

- as the Bank believes that classification by risk rating shows the quality of its credit portfolio, it uses the classification as an indicator to generate the credit it holds in its portfolio;

- the classification considers the client's financial history, level of indebtedness, current asset position, credit restrictions, suppliers, client and bank information, debt position at the Central Bank's electronic information system, or SISBACEN, quality, profile and the liquidity of proposed collateral, and guarantors; and

- the risk rating classifications assigned to credit operations involving collateral consider the liquidity, diversity, history and potential for recovery of such collateral.

Unless otherwise specified, the financial information included in this offering memorandum relating to the Bank's on-balance sheet credit portfolio refers to the consolidated current and non-current balances of its loans, other receivables and leases.

Financial information relating to the Bank's assigned off-balance sheet credit portfolio refers to the balance of the loans assigned with co-obligation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Off-Balance Sheet Arrangements." Credit assignments with co-obligation are classified in an off-setting account. Financial information relating to the Bank's total credit portfolio reflects only its on-balance sheet credit portfolio.

The Bank believes that an analysis of the amount of loans which are on-balance sheet or off-balance sheet and its total credit portfolio allows potential investors to better understand whether the total credit assets it originates (i) were directly held by it or (ii) were assigned to third parties and are no longer held by it (i.e., the off-balance sheet credit portfolio).

Market Information

The Bank obtained the market and statistical data relating to the banking industry from governmental authorities, independent consultants and general market publications. The Bank considers these sources to be reliable but it has not independently verified such market or statistical data and, therefore, cannot provide any assurances regarding their accuracy or completeness.

Other Information

In this offering memorandum, the term "middle market" segment refers to, according to the Bank's own internal criteria, companies whose annual turnover ranges from R$50.0 million to R$500.0 million. This definition may differ in material respects from the criteria adopted by other financial institutions or other entities.

SUMMARY

This summary highlights information contained in detail elsewhere in this offering memorandum. Prospective investors should carefully read the entire offering memorandum before investing in the notes. As this is a summary, it does not contain all the information that prospective investors should consider before deciding to invest in the notes. This summary should be read in conjunction with the more detailed information appearing elsewhere in this offering memorandum, including the information contained in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the Bank's consolidated financial statements and the respective notes included in this offering memorandum.

General Overview

The Bank is a Brazilian bank whose shares are publicly listed and traded on the the São Paulo Stock Exchange (*BM&F Bovespa S.A. – Bolsa de Valores Mercadorias e Futuros*), or BM&FBOVESPA. It is the leading medium-sized bank in Brazil in terms of loan portfolio and net income, according to research carried out by *Instituto Brasileiro de Economia – IBRE of Fundação Getúlio Vargas*, or FVG, in 2009; and the fifth largest privately owned Brazilian bank in terms of loan portfolio based on the asset position of Brazilian banks as of September 30, 2009, according to a Central Bank publication. The Bank's 71 years of experience in the middle market segment gives it credibility and brand recognition among clients and prospective clients. This experience and the close monitoring of its clients' activities and needs have resulted in the continued growth of the Bank's credit portfolio, with a 5.9% increase from the year ended December 31, 2007 to the year ended December 31, 2008 and a 13.1% increase from the year ended December 31, 2008 to the year ended December 31, 2009. The steep rise in the loan portfolio in the fourth quarter of 2009 facilitated the recovery in the volume of loan operations and the improvement in portfolio quality. The Bank's annual return on average shareholders' equity was 18.7% as of December 31, 2007, 19.7% as of December 31, 2008 and 18.4% as of December 31, 2009.

The Bank's 36 service outlets are strategically located in the main state capitals and cities of Brazil. The Bank also has a branch in Grand Cayman, Cayman Islands to raise funds and offer private banking services to its clients. The Bank believes that the strategic location of its branches has led to a large client base and has enabled it to offer a comprehensive portfolio of products and services.

The Bank seeks to avoid a risk concentration by diversifying its credit portfolio. As of December 31, 2009, the Bank's largest borrower accounted for 1.5% of its credit portfolio, its 10 largest borrowers for 8.2% and its 20 largest borrowers for 13.2%. As of December 31, 2008, such rates were equivalent to 2.1%, 9.8% and 15.0%, respectively. As of December 31, 2007, the Bank's largest borrower accounted for 1.8% of its credit portfolio, its 10 largest borrowers for 8.4% and its 20 largest borrowers for 13.0%. For further information about the Bank's process of credit risk valuation and of credit granting, see "Presentation of Financial and Other Information" and "Business—Policies of Credit Granting and Risk Management."

The Bank continues to focus on the middle market segment, including working capital transactions guaranteed by receivables and short maturities, which the Bank believes is one of the most profitable products in the middle market segment. A significant portion of the Bank's loans has short term maturities, providing the Bank with access to liquidity and an effective risk control tool. In line with the Bank's strategy, corporate credit operations represented 91.6% of the Bank's total credit portfolio as of December 31, 2007, 94.3% as of December 31, 2008 and 96.8% as of December 31, 2009.

The Bank actively participates in the international trade finance segment, amounting to R$1.6 billion as of December 31, 2007, R$1.9 billion as of December 31, 2008, and R$1.8 billion as of December 31, 2009. As of December 31, 2009, trade finance products represented 20.0% of the Bank's loan portfolio. These operations are usually funded by several international banks. In addition, the Bank seeks to allocate part of its credit portfolio to payroll deductible loans for currently active public sector employees, a segment in which the Bank has been operating for more than ten years and which has historically low rates of default. As of December 31, 2009, payroll deductible loans represented 2.9% of the Bank's total loan portfolio.

On October 30, 2009, the Bank signed a purchase agreement to acquire 100% of *Sul Financeira S.A. Crédito, Financiamento e Investimentos*, or Sul Financeira, a company headquartered in the City of Porto Alegre, that provides loans to individuals (including payroll deductible loans, consumer credit and vehicle financing) and small-sized companies (including discounted trade receivables). Sul Financeira has two subsidiaries, Sul Financeira Promotora de Vendas Ltda. and Sul Financeira Cobrança Ltda., and 72 employees. Sul Financeira has negative shareholders' equity in an amount of R$100.9 million. The purchase agreement provides that the Bank will acquire Sul Financeira for R$1.00. The Central Bank issued a conditional approval for the acquisition on April 12, 2010. The approval is conditioned on the Bank capitalizing Sul Financeira in the amount of R$150 million. The Bank is working to implement its risk assessment policies and procedures at Sul Financeira so that it is able to capitalize Sul Financeira as permitted by applicable regulations and commence operations. The Bank will not acquire the portfolio of Sul Financeira pursuant to the terms of the purchase agreement.

The following table shows the Bank's main consolidated financial and operational information as of for the periods indicated:

	As of and for the Year ended December 31,			
	2009	2008	2007	CAGR 2007/2009 (%)
	(In R$ millions, except as otherwise indicated)			
Available cash[(1)]	1,460.0	1,964.3	591.2	57.1
Total credit portfolio	9,119.2	8,066.4	7,617.9	9.4
Total assets	11,399.7	12,007.3	10,992.1	1.8
Total deposits	5,811.5	4,444.1	4,412.3	14.8
Total fund raising[(2)]	8,661.1	8,829.3	6,936.3	11.7
Reference shareholders' equity[(3)]	1,961.0	2,006.2	1,770.0	5.3
Shareholders' equity[(4)]	1,766.4	1,685.1	1,563.4	6.3
Net profit	318.2	320.5	181.9	32.3
Return on average total assets (%)[(5)]	2.7	2.8	2.1	—
Return on average shareholders' equity(%)[(6)]	18.4	19.7	18.7	—
Credit coverage ratio[(7)]	2.6	2.5	2.5	—
Credit portfolio write-off[(8)]	1.9	1.3	1.6	—
Basel Accord ratio (%)	16.0	19.3	19.4	—
Efficiency ratio (%)[(9)]	38.0	38.6	44.2	—
Number of employees	747	819	823	(4.7)
Total credit portfolio per employee[(10)]	12.2	9.8	9.3	14.5

Notes:

(1) Corresponds to the sum of cash and cash equivalents, open-market investments in interbank deposits (except deposits for coverage of swap operations) and own portfolio – trading and available for sale.

(2) Corresponds to the sum of (i) total deposits, (ii) funds and issue of securities accepted, (iii) borrowings, (iv) on-lending from Brazil and abroad, (v) FIDC, and (vi) subordinated debt.

(3) Tier I capital, added to Tier II capital, as defined by the Central Bank.

(4) The shareholders' equity as calculated by Brazilian GAAP.

(5) Net income as a percentage of average total assets of December of the prior year and final month of the current year. In relation to 2007, the average of total assets was calculated according to the average of the final and monthly total assets for the year starting December 2006 and ending December 2007, due to the capital increase of R$400 million approved in May 2007 and the IPO in October 2007 which totalled R$492.9 million.

(6) Net income as a percentage of average shareholder's equity of December of the prior year and final month of the current year. In relation to 2007, the average of shareholders' equity was calculated according to the average of the final and monthly shareholders' equity for the year starting December 2006 and ending December 2007, due to the capital increase of R$400 million approved in May 2007 and the IPO in October 2007 which totalled R$492.9 million.

(7) Corresponds to allowance for loan losses as a percentage of the credit portfolio referring to overdue loans of more than 15 days, pursuant to the explanatory note 9 of the Bank's financial statements.

(8) Corresponds to the write-offs for the relevant period, according to the explanatory note 9 of the Bank's financial statements, expressed as an average percentage of the credit portfolio, which is the average in the period.

(9) Efficiency ratio is defined as the sum of "personnel expenses," "other administrative expenses" and "taxes" divided by the sum of gross profit from financial operations plus "service fee income."

(10) Total credit assignment in R$ is divided by the number of employees.

Strengths and Competitive Advantages

The Bank attributes its leadership position in the middle market segment to the following strengths and competitive advantages:

Expertise and credibility accumulated over the years in the middle market segment

Operating successfully in the middle market segment depends on know-how and expertise, due to the characteristics of the segment and the importance of close relationships with clients, as well as an in-depth knowledge of the market.

The Bank believes that the expertise and experience it has acquired over decades of operating in the middle market segment has enabled it to maintain a solid base of active and loyal customers and places the Bank in a strong position to take advantage of business opportunities in an effective manner. Over 70 years in the middle-market segment, the Bank believes that it has (i) improved its origination and analysis process through efficient decision-making and disbursements; (ii) developed close relationships with its clients; (iii) created a diversified, profitable portfolio of products to meet its customers' needs; (iv) created efficient and powerful tools to monitor collateral in its secured transactions; (v) established a well-organized and differentiated platform which provides a competitive advantage; and (vi) developed efficient tools to identify opportunities.

The Bank believes that its success is a result of the competitive position that it has acquired through the continued development and improvement of the above-mentioned strengths.

Strong capacity to originate credit and potential growth

The Bank's experience in granting credit to the middle market segment, and a distribution network located in the most significant cities in Brazil, contributes to its strong capacity to structure credit.

The Bank's ability to originate credit was further strengthened in October 2007 when the Bank expanded its capital base from R$527.3 million to R$1,563.4 million, driven by a private capital increase of R$400 million in May 2007 and an initial offering of its shares to the public, or IPO, in October 2007 totaling R$492.9 million. The Bank's credit portfolio increased by 5.9% during the fiscal year ended December 31, 2008 and 13.1% during the fiscal year ended December 31, 2009. The steep rise in the loan portfolio in the fourth quarter of 2009 facilitated the recovery in the volume of loan operations and the improvement in portfolio quality. The Bank's capital adequacy ratio was 19.4% as of December 31, 2007, 19.3% as of December 31, 2008 and 16.0% as of December 31, 2009.

Financial strength and prudent risk management

The Bank focuses on maximizing the return on equity, the quality of the guarantees it receives and the sustainable and healthy growth and social development of the communities in which it operates. The Bank's business philosophy is sustained by three basic rules: (i) the optimization of the quality of credits through structured transactions guaranteed by receivables; (ii) the dispersal of risks to its assets and (iii) the diversification of funding sources to control its operational risks.

The Bank believes that its client portfolio is diversified, with clients in a variety of economic sectors, including industrial, services, retail, individuals, the public sector and agriculture.

The majority of the Bank's loan portfolio has short term maturities. Loans with maturities of less than 90 days constituted 33.8% of the Bank's loans as of December 31, 2009, 45.7% as of December 31, 2008 and 41.0% as of December 31, 2007. The fact that a significant quantity of the Bank's loans is short term provides the Bank with additional liquidity and makes the Bank's credit risk control more efficient as credit risk exposure is reduced. The adequacy of the Bank's liquidity has been highlighted by the recent global financial crisis in which a liquidity shortage among financial institutions has occurred. On such occasions, the Bank's working capital needs were mainly provided for by the rapid maturing of its credit portfolio.

In addition to this conservative policy, the Bank maintains high levels of immediately available cash. (See the table on page 2, outlining the Bank's main financial and operational information, under the line item "Available cash"). If the Bank needs greater liquidity, it is able to sell credit to third parties, either on a large scale through bank credit notes (*cédulas de crédito bancário*), or CCBs, or on a smaller scale, with the use of credit receivable funds, or FIDCs.

The Bank seeks a balance between local and foreign fund raising. The Bank has access to diversified sources of funding, including time deposits, foreign borrowings, issuing bonds abroad or issuing subordinated debt, FIDCs, savings accounts and cash deposits. The Bank has a range of time deposits and its principal customers are corporate entities. Time deposits from corporate entities represented 63.2% as of December 31, 2009, 68.0% as of December 31, 2008 and 61.1% as of December 31, 2007 of the Bank's total time deposits. The diversity of the Bank's funding sources enables it to minimize mismatches between the terms, interest rates and exchange rates relating to its fund raising and lending. With the exception of funding allocated specifically for trade finance operations, where the exchange risk is undertaken by the borrower, all of the Bank's other funding in foreign currency has the exchange risk protected by swaps with other financial institutions. As of December 31, 2009, the Bank had R$2,585.7 million in assets and R$2,878.1 million in liabilities denominated or indexed in foreign currency. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Cash Flow—Exchange Rate Sensitivity."

Furthermore, the Bank diversifies its funding in order to avoid a concentration by type of client. As of December 31, 2009, the Bank's 10 largest clients represented 20.7% of its deposits in bank credit deposits (*certificados de depósito bancário*), or CDBs. As of December 31, 2008 and 2007, the Bank's 10 largest clients represented 19.9% and 20.2% of its deposits in CDBs, respectively.

The Bank's financial strength is also evidenced by the increase in its international fund raising operations, including fund raising from multilateral organizations. As of December 31, 2008 and December 31, 2009, the Bank had a total of U.S.$1.8 billion and U.S.$1.6 billion outstanding from its international fund raising operations, respectively.

Customized and efficient information technology systems

Over the years, the Bank has developed its own information technology systems to enable it to provide information within the Bank's processes for the provision of credit. The Bank believes that it has a prompt and consistent process for credit analysis and approval. The Bank has also developed a system to control and monitor the guarantees it receives to enhance the security in its secured transactions. The Bank's service outlets are connected to the on-line central system, which is based on a web platform that the Bank developed to assure the quality of its business. The Bank intends to maintain and develop the quality of its management's information to assure the transparency of its management and to enable the management to effectively oversee the performance of its employees, specifically those working in the commercial area of its business.

Commitment to the best corporate governance practices and internal controls

The Bank believes that its corporate management model is consistent with the highest standards of corporate governance. The Bank's activities are driven by transparency and financial discipline, with strict control over its operational risks, its internal controls and on the alignment of the interests of its shareholders and management. In 2009, among medium-sized banks, the Bank was ranked first in Brazil and second in Latin America in sustainability by the consulting firm Management & Excellence.

The Bank is involved in social projects and is under the regular supervision of the corporate social responsibility committee, with the purpose of improving its relationship with the communities in which it operates. In addition, the Bank analyses the social and environmental risks involved in its business operations. The Bank has implemented programs to train its employees to better identify these risks. The Bank is currently involved, with the support of the IADB, in a social project that includes managing the potential social and environmental risks relating to the financing the Bank provides, as well as determining actions to be taken to more accurately identify these risks.

The Bank constantly seeks to improve its internal controls and has invested in updating its information technology systems over the last few years. The Bank has a risk management department working in conjunction with its internal audit department that regularly evaluates the quality and effectiveness of the Bank's internal controls. In addition to this, PricewaterhouseCoopers LLP was hired in 2007 to analyze the operational risk management structures of the Bank. PricewaterhouseCoopers LLP issued an assurance report, based on information corresponding to the year ended December 31, 2007 which concluded that the Bank's operational risk management structures are adequate in all aspects and in accordance with the NPO 010 Assurance Rules and Procedures (*Normas e Procedimentos de Asseguração*) established by IBRACON. In addition, in October 2009, the Bank approved the creation of an audit committee in accordance with Central Bank rules and best practices which is fully operational.

Experienced Management

The Bank has an experienced management team that is capable of quickly implementing strategic decisions, such as responding to new business opportunities and reducing the Bank's exposure to adverse market conditions. This ability was tested during the recent global financial crisis, when the bank was able to reduce its credit portfolio and maintain low credit defaults and comfortable liquidity levels. The Bank believes its management is positioned to drive the bank to take advantage of the recovery of the Brazilian economy.

Strategies

The Bank seeks to consolidate and increase its market share in the middle market segment through the implementation of the following strategies:

Consolidation and expansion of the Bank's activities in the middle market segment

The middle market segment has been the focus of the Bank's business. The Bank intends to continue expanding its client base in this segment, keeping its focus on providing loans backed with high quality collateral. The Bank also intends to establish closer relationships with its clients through an increase in the number of service outlets and by providing tailor-made financial solutions. The Bank intends to optimize the cross-selling of products to its clients, as well as to develop new products designed for the middle market segment.

Furthermore, in order to increase its market share in the middle market segment, the Bank intends to (i) protect its client base through relationship maintenance policies and (ii) evaluate the acquisition of other financial institutions and/or the assumption of credit portfolios from third parties which are complimentary in terms of client base and products.

Development of new products and services

The Bank aims to maintain its competitive position and increase its profitability by taking advantage of its extensive experience in the middle market segment and by expanding the financial products and services portfolio it offers to clients.

The Bank intends to develop new treasury products, including swaps, hedges and derivatives. Although certain of these products are already offered by the Bank to its clients, the Bank has not yet fully developed this line of business or fully explored the existing market potential in this segment. In addition, the bank acquired Sul Financeira, a company which focuses on the provision of loans to individuals (including payroll deductible loans, consumer credit and vehicle financing) and small-sized companies, which the Bank believes will improve its consumer credit loans segment and increase the Bank's credit portfolio. See "Business─Loan Operations─Loans to private individuals."

Maintenance of diversification of the Bank's funding sources

The Bank's main funding sources are CDBs. The Bank seeks to attract new depositors in Brazil, by increasing its efforts for potential clients and investments in marketing its products and services. Furthermore, the Bank intends to increase its funding in foreign currency, with broader access to international markets, and in order to strengthen its relationships with banking correspondents and multilateral entities and investors.

Maintenance of operational efficiency

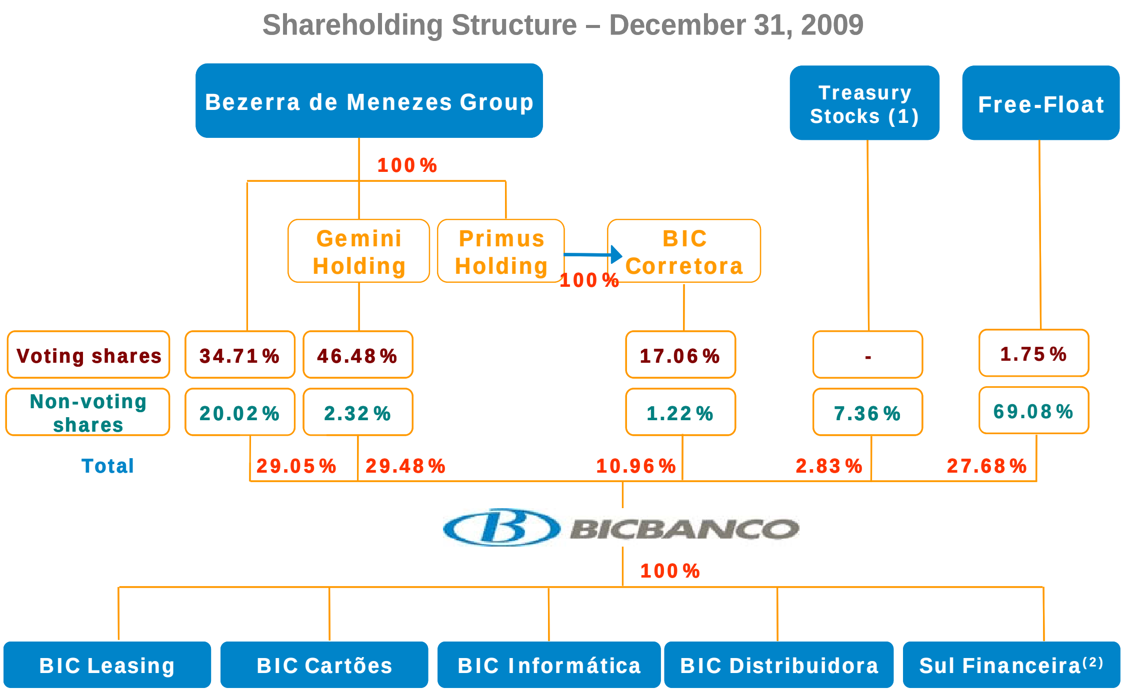
To maintain the efficiency of its operational activities, the Bank intends to maintain close control over its operating costs by investing in technological improvements, training its employees and strictly monitoring its internal controls.

Corporate Structure

Currently, the Bank is controlled by Primus Holding S.A., or Primus Holding and a few members of the Bezerra de Menezes family. The Bezerra de Menezes family currently owns 98.3% of the Bank's shares with voting rights and 69.5% of its total capital stock.

BIC Corretora was organized on April 15, 1985 and was authorized to operate by the Central Bank on July 9, 1985. Currently, it is not operational, and its function is limited to its shareholding in the Bank's capital stock. BIC Corretora is not a member of the BM&FBOVESPA.

The following table shows the Bank's corporate structure as of December 31, 2009:



(1) The amount of Treasury Shares refers to the third buy-back program initiated on March 12, 2009 and limited to 7,633,700 preferred shares.

(2) Acquired as of November 3, 2009, the Central Bank issued conditional approval for the acquisition on April 12, 2010.

The Bank's corporate office is at Avenida Paulista, 1,048, 11th Floor, São Paulo, SP, 01310-100, Brazil, its telephone number is +55 (11) 2173 9190 and its website is http://www.bicbanco.com.br/ir. The information contained on the Bank's website, or that might be obtained via the Bank's website, does not form part of this offering memorandum.

Recent Developments

On March 15, 2010, the Bank executed an Aircraft Operating Lease Agreement with Banco LatinoAmericano de Comércio Exterior S.A., or Bladex, in the principal amount of U.S.$16.4 million, where Bladex agreed to lease to the Bank an aircraft Challenger 300 Bombardier.

On March 15, 2010, the Central Bank approved as Tier II subordinated debt our November 3, 2009 issuance of 10 year CDBs in the principal amount of R$200 million. As discussed in note 31D of the Bank's financial statements included elsewhere in this offering memorandum, if the Central Bank had approved this transaction as Tier II subordinated debt in 2009, the Bank's Basel Accord ratio would have been 17.62% as of December 31, 2009.

On January 19, 2010, the Bank acting through its Cayman Islands Branch, issued U.S.$275 million notes due January 2013 under its U.S.$1 billion Euro Medium-Term Note Program.

THE OFFERING

Issuer..	Banco Industrial e Comercial S.A.
Initial Purchasers	HSBC Securities (USA) Inc. J.P. Morgan Securities Inc. Standard Chartered Bank
Co-Manager..............................	BNP Paribas Securities Corp.
The Notes.................................	U.S.$300,000,000 aggregate principal amount of 8.50% subordinated notes due 2020.
Issue Price................................	99.174% of the principal amount.
Maturity Date............................	April 27, 2020, *provided*, that interest and principal payments may be deferred under the circumstances described in "—Deferral of Interest and Principal" below.
Tax Redemption	The notes will be redeemable in whole, but not in part, at their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, at the Bank's option at any time, but subject to the prior approval of the Central Bank, in the event of certain changes affecting taxation, as described further under "Description of the Notes—Redemption—Tax Redemption."
Issue Date	April 27, 2010.
Indenture..................................	The notes will be issued under the indenture dated as of April 27, 2010, among the issuer, The Bank of New York Mellon, as trustee, New York paying agent and transfer agent and The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent.
Interest.....................................	The notes will bear interest from and including April 27, 2010 at the rate of 8.50% per annum, or the note rate, payable semi-annually in arrears. Default interest will accrue at the note rate plus 1.0% per annum. Principal and interest amounts deferred as described in "—Deferral of Interest and Principal" below will also accrue interest at the note rate plus 1.0% per annum.
Interest Payment Dates	April 27 and October 27 of each year, commencing on October 27, 2010.
Deferral of Interest and Principal.............................	(A) If the Bank is not in compliance with the operational limits required by current or future regulations generally applicable to Brazilian banks, or the risk-based capital requirements, or (B) if the payment of interest on any interest payment date or any redemption date or the payment of principal on the maturity date or any redemption date would cause the Bank to fail to satisfy the risk-based capital requirements, the Bank shall defer that payment of interest or principal or any other amount payable in respect of the notes until the date no later than 14 days after the date on which the Bank is no longer in violation of the risk-based capital requirements and the payment of that interest or principal amount, or any portion thereof, would no longer cause the Bank to violate the risk-based capital requirements. The deferral of any payment will not be an event of default under the notes. Each amount in arrears will bear interest at the note rate plus 1.0% per annum (if it is an interest amount, as if it constituted the principal of the notes). See "Description of the Notes—Deferral of Interest and Principal."

Ranking......................................	The notes will at all times constitute unsecured, subordinated obligations of the Bank, and, in the event of bankruptcy, liquidation or dissolution of the Bank under Brazilian law, the notes will rank: • junior in right of payment to the payment of all the Bank's senior indebtedness; and • *pari passu* among themselves. "Senior Indebtedness" means all Liabilities of the Issuer, but excluding (i) any Liability of the Issuer approved or to be approved by the Central Bank to be classified in the Tier I Capital or Tier II Capital of the Issuer pursuant to Resolution No. 3,444, and (ii) all classes of the Issuer's capital stock. "Liability," with respect to any Person, means all liabilities of such Person, including, but not limited to, any claims of such Person's creditors and any amounts payable (whether as a direct obligation or indirectly through a guarantee of a Liability by such Person) pursuant to an agreement or instrument involving or evidencing money borrowed or received, the advance of credit, a conditional sale or a transfer with recourse or with an obligation to repurchase or pursuant to a lease with substantially the same economic effect as any such agreement or instrument and which, under GAAP, would constitute a capitalized lease obligation. "Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.
Use of Proceeds	The Bank intends to use the net proceeds of the issuance of the notes to increase its portfolio growth and for other general corporate purposes. See "Use of Proceeds."
Covenants	The terms of the indenture will require the Bank, among other things, to: • pay all amounts owed by the Bank under the indenture and the notes when those amounts are due and perform each of the Bank's other obligations under the various transaction documents entered into by the Bank in connection with the issuance of the notes; • if the Bank defers any interest or principal payments as described under "—Deferral of Interest and Principal" above, use commercially reasonable efforts to re-enter into compliance with the risk-based capital requirements within 180 days; • maintain all necessary governmental and third-party approvals and consents; • maintain its books and records; • maintain an office or agency in New York where notes may be presented or surrendered for payment or for exchange, transfer or redemption and where notices and demands may be served;

- give notice to the trustee of any default or event of default under the indenture, of a deferral of payment of interest or principal and of certain other events;
- replace the trustee upon any resignation or removal thereof; and
- preserve its corporate existence.

In addition, the terms of the indenture will require the Bank to meet certain conditions before the Bank consolidates, merges or transfers either all or substantially all its assets and properties or all or substantially all its assets, properties and liabilities to another person without the consent of the holders of at least 66 2/3% of the outstanding notes.

These covenants are subject to a number of important qualifications. See "Description of Notes—Certain Covenants."

Events of Default	The indenture will contain certain limited events of default, consisting of the following:

- failure to pay principal on the due date thereof, unless the principal payment is deferred as described above in "—Deferral of Interest and Principal." See "Description of the Notes—Deferral of Interest and Principal;"
- failure to pay interest or any additional amounts due on any note within 15 days of the due date thereof unless the interest payment is deferred as described above in "—Deferral of Interest and Principal." See "Description of the Notes—Deferral of Interest and Principal;"
- certain events involving bankruptcy, liquidation, reorganization or insolvency proceedings, whether voluntary or involuntary.

Payment of principal of the notes may be accelerated only in the case of certain events involving the Bank's bankruptcy, liquidation or dissolution or similar events, and the Bank will be required to make payment after acceleration only after the Bank has been declared bankrupt, put into liquidation or otherwise dissolved for purposes of Brazilian law. See "Risk Factors—Risks Relating to the Notes—If the Bank does not satisfy its obligations under the notes, noteholders' remedies will be limited."

There is no right of acceleration of the payment of principal and accrued interest on the notes in the case of a default in the performance of any of the Bank's covenants, including the payment of principal and interest on the notes. Notwithstanding the foregoing, in the event of our failure to pay any principal or interest on a note when it becomes due and payable, the holder of such note will have the right to institute a suit for the enforcement of any such payment.

Amendments to the Terms and Conditions of the Notes	The Bank expects to qualify the notes as Tier II capital subject to the Central Bank's approval. The Central Bank's approval is still pending and the Central Bank may require the Bank to amend certain terms and conditions of the notes as a condition to granting such approval. The Bank has a one-time right to amend, without the prior consent of noteholders, the terms and conditions of the notes solely to comply with the requirements of the Central Bank to qualify the notes as Tier II capital pursuant to CMN Resolution No. 3,444. The Bank will not be permitted to make any amendments without

	noteholders' consent if any such amendment would affect in any way the interest rate of the notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of the notes, the ranking of the notes (as described in "Description of the Notes—Ranking") or the original maturity date of, or any interest installment on, the notes. Any other amendment to the terms and conditions of the notes (other than in respect of minor amendments required to cure inconsistencies, defects ambiguities and similar matters) is also subject to the prior consent of noteholders (see "Description of the Notes—Modification of the Indenture").
Clearance and Settlement...........	The notes will be issued in book-entry form through the facilities of The Depository Trust Company, or DTC, for the accounts of its direct and indirect participants, including Clearstream Banking, *société anonyme*, Luxembourg, or Clearstream, Luxembourg, and Euroclear Bank S.A./N.V., or Euroclear. See "Form of the Notes."
Withholding Taxes; Additional Amounts....................................	All payments of principal and interest in respect of the notes will be made without withholding or deduction for any taxes or other governmental charges imposed by Brazil, or, in the event that the Bank appoint additional paying agents, in the jurisdictions of those paying agents, or any political subdivision or any taxing authority thereof, unless such withholding or deduction is required by law. In the event the Bank is required to withhold or deduct amounts for any taxes or other governmental charges, the Bank will pay such additional amounts necessary to ensure that the noteholders receive the same amount as the noteholders would have received without such withholding or deduction, subject to certain exceptions. See "Description of the Notes— Additional Amounts."
Listing.......................................	The Bank has applied to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF market of the Luxembourg Stock Exchange.
Transfer Restrictions.................	The notes have not been registered under the Securities Act and are subject to certain restrictions on resales and transfers described under "Transfer Restrictions."
Governing Law	The indenture and the notes will be governed by the laws of the State of New York, except for certain provisions thereof, which are governed by the laws of Brazil.
Form and Denomination	The notes will initially be issued in the form of one fully registered Restricted Global Note and one fully registered Regulation S Global Note. The notes will be delivered in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear and Clearstream, Luxembourg. The notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. See "Form of the Notes."
Further Issuances	Subject to the prior consent of the Central Bank, the Bank may from time to time without notice to or consent of the noteholders create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering. Noteholders should be aware that additional notes that are treated as the same series as the notes initially issued in this offering may be treated as separate issues for U.S. federal income tax purposes. See "Description of the Notes—Further Issuances."

SUMMARY FINANCIAL INFORMATION

The following tables set out the summary consolidated balance sheet and consolidated income statement data relating to the Bank. This information is derived from the audited consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007. Such financial statements appear elsewhere in this offering memorandum. The summary consolidated financial data presented below are not necessarily indicative of the results of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Financial Data and Other Information" and the Bank's consolidated financial statements, reports and the notes thereto. The consolidated financial statements of the Bank for the years ended December 31, 2009, 2008 and 2007 have been prepared in accordance with Brazilian GAAP. Accordingly, the financial information of BIC Cartões, BIC Leasing, BIC Distribuidora and BIC Informática are consolidated in the financial statements included elsewhere in this offering memorandum. In the preparation of the consolidated financial statements, direct and indirect interest, the balances of accounts and income and expenses resulting from transactions between controlled companies are eliminated.

Certain amounts included in this offering memorandum have been rounded. The totals presented in certain tables may not represent an arithmetical aggregation of the amounts that precede them.

Consolidated Balance Sheets	**As of December 31,**								
	2009	**2009**	**% total[2]**	**2008**	**% total[2]**	**Variation 2009x 2008**	**2007**	**% total[2]**	**Variation 2008x 2007**
	(in US$ million)[1]	*(in R$ million except for percentages)*							
						%			%
Cash and cash equivalents	140.9	245.3	2.2	200.2	1.7	22.5	139.9	1.3	43.1
Interbank funds applied	543.7	946.7	8.3	1,639.6	13.7	(42.3)	128.9	1.2	1,172.0
Securities and derivative financial instruments	256.9	447.4	3.9	446.3	3.7	0.2	2,125.9	19.3	(79.0)
Interbank accounts	55.0	95.8	0.8	118.4	1.0	(19.1)	354.1	3.2	(66.6)
Loans	3,192.3	5,558.5	48.8	5,612.4	46.7	(1.0)	5,053.6	46.0	11.1
Lease operations	63.7	111.0	1.0	54.8	0.5	102.6	6.7	0.1	717.9
Other receivables	608.7	1,059.9	9.3	1,562.5	13.0	(32.2)	1,153.2	10.5	35.5
Other assets	12.4	21.6	0.2	29.2	0.2	(26.0)	40.1	0.4	(27.2)
Current assets	**4,873.8**	**8,486.3**	**74.4**	**9,663.3**	**80.5**	**(12.2)**	**9,002.4**	**81.9**	**7.3**
Interbank funds applied	64.8	112.9	1.0	42.3	0.4	166.9	127.9	1.2	(66.9)
Securities and derivative financial instruments	5.2	9.0	0.1	219.2	1.8	(95.9)	4.9	0.0	4,373.5
Loans	1,165.5	2,029.4	17.8	1,440.8	12.0	40.9	1,509.2	13.7	(4.5)
Lease operations	64.7	112.7	1.0	58.7	0.5	92.0	12.3	0.1	377.2
Other receivables	298.2	519.3	4.6	449.5	3.7	15.5	212.8	1.9	111.2
Other assets	28.8	50.1	0.4	40.6	0.3	23.4	59.3	0.5	(31.5)
Non-current assets	**1,627.2**	**2,833.3**	**24.9**	**2,251.1**	**18.7**	**25.9**	**1,926.4**	**17.5**	**16.9**
Investments	0.3	0.6	0.0	0.6	0.0	0.0	0.5	0.0	20.0
Fixed assets	27.3	47.6	0.4	46.1	0.4	3.3	32.9	0.3	40.1
Intangible	1.3	2.3	0.0	1.0	0.0	130.0	0.0	0.0	100.0
Deferred charges	16.9	29.5	0.3	45.3	0.4	(34.9)	30.0	0.3	51.0
Permanent assets	**45.9**	**80.0**	**0.7**	**93.0**	**0.8**	**(14.0)**	**63.4**	**0.6**	**46.7**
Total assets	**6,547.0**	**11,399.7**	**100.0**	**12,007.3**	**100.0**	**(5.1)**	**10,992.1**	**100.0**	**9.2**
Liabilities									
Deposits	2,686.3	4,677.4	41.0	3,347.4	27.9	39.7	3,283.1	29.9	2.0
Money market repurchase commitments	4.8	8.4	0.1	19.7	0.2	(57.4)	1,354.1	12.3	(98.5)
Debt securities	273.0	475.3	4.2	479.9	4.0	(1.0)	135.0	1.2	255.5
Interbank accounts	0.1	0.1	0.0	0.1	0.2	0.0	0.1	0.0	0.0
Interbranch accounts	17.5	30.5	0.3	26.7	0.2	14.2	61.4	0.6	(56.5)
Borrowings	702.6	1,223.3	10.7	1,937.5	16.1	(36.9)	1,487.9	13.5	30.2
On-lendings	17.2	30.0	0.3	8.7	0.1	244.8	37.3	0.3	(76.7)
Foreign currency on-lendings	84.0	146.2	1.3	58.3	0.5	150.8	4.0	0.0	1,357.5
Derivative financial instruments	39.5	68.7	0.6	27.5	0.2	149.8	79.0	0.7	(65.2)
Other liabilities	299.2	521.0	4.6	1,057.2	8.8	(50.7)	634.2	5.8	66.7
Current liabilities	**4,124.1**	**7,180.9**	**63.0**	**6,963.0**	**58.0**	**3.1**	**7,076.1**	**64.4**	**(1.6)**
Deposits	651.3	1,134.0	9.9	1,096.7	9.1	3.4	1,129.2	10.3	(2.9)
Debt securities	76.4	133.1	1.2	642.6	5.4	(79.3)	364.2	3.3	76.4

Consolidated Balance Sheets	As of December 31,								
	2009	**2009**	**% total[(2)]**	**2008**	**% total[(2)]**	**Variation 2009x 2008**	**2007**	**% total[(2)]**	**Variation 2008x 2007**
	(in US$ million)[(1)]	*(in R$ million except for percentages)*							
						%			%
Borrowings	141.9	247.1	2.2	346.0	2.9	(28.6)	61.8	0.6	459.9
On-lendings	1.5	2.6	0.0	0.7	0.0	271.4	8.4	0.1	(91.7)
Foreign currency on-lendings	117.3	204.3	1.8	424.8	3.5	(51.9)	210.8	1.9	101.5
Derivative financial instruments	63.1	109.8	1.0	24.8	0.2	342.7	172.4	1.6	(85.6)
Other liabilities	351.8	612.5	5.4	818.6	6.8	(25.2)	389.5	3.5	110.2
Non-current liabilities	**1,403.2**	**2,443.3**	**21.4**	**3,354.1**	**27.9**	**(27.2)**	**2,336.3**	**21.3**	**43.6**
Deferred income	**5.2**	**9.0**	**0.1**	**5.1**	**0.0**	**76.5**	**16.3**	**0.1**	**(68.7)**
Shareholders' equity	**1,014.5**	**1,766.4**	**15.5**	**1,685.1**	**14.0**	**4.8**	**1,563.4**	**14.2**	**7.8**
Total liabilities	**6,547.0**	**11,399.7**	**100.0**	**12,007.3**	**100.0**	**(5.1)**	**10,992.1**	**100.0**	**9.2**

Notes:

(1) Translated for convenience only, at the exchange rate in effect as of December 31, 2009 of R$1.7412 per U.S.$1.00 as reported by the Central Bank.

(2) Of total assets (or total liabilities).

Consolidated Statements of Income

For the Year Ended December 31,

	2009	2009	% total[2]	2008	% total[2]	Variation 2009x 2008	2007	% total[2]	Variation 2008x 2007
	(in US$ million)[1]	*(in R$ million except for percentages)*							
						%			%
Loans	739.0	1,286.7	86.5	1,788.8	89.6	(28.1)	1,002.1	78.8	78.5
Working capital and discounts	507.1	883.0	59.4	1,042.8	52.2	(15.3)	564.2	44.4	84.8
Secured accounts	113.2	197.1	13.2	268.7	13.5	(26.6)	185.6	14.6	44.8
Personal consigned credit	15.4	26.9	1.8	73.8	3.7	(63.6)	143.5	11.3	(48.6)
Personal credit	3.9	6.8	0.5	13.5	0.7	(49.6)	14.6	1.1	(7.5)
Personal consigned credit-assigned operations	17.7	30.9	2.1	30.3	1.5	2.0	33.1	2.6	(8.5)
"Compror"	3.0	5.2	0.3	17.7	0.9	(70.6)	9.8	0.8	80.6
Corporate Checks	15.4	26.9	1.8	29.7	1.5	(9.4)	14.7	1.2	102.0
BNDES on-lending	0.6	1.0	0.1	3.0	0.2	(66.7)	8.3	0.7	(63.9)
Import financing	8.0	13.9	0.9	26.0	1.3	(46.5)	11.1	0.9	134.2
Export financing	64.9	113.0	7.6	145.3	7.3	(22.2)	27.4	2.2	430.3
Rural and agro-industrial financing	3.4	6.0	0.4	0.6	0.0	900.0	1.4	0.1	(57.1)
Real estate and housing	0.3	0.6	0.0	0.7	0.0	(14.3)	0.8	0.1	(12.5)
Resolution 2770 (former "Res.63")	2.8	4.9	0.3	4.9	0.2	0.0	4.3	0.3	14.0
Vendor	1.0	1.8	0.1	2.2	0.1	(18.2)	0.5	0.0	340.0
Other loans and financing	9.2	16.1	1.1	8.5	0.4	89.4	13.4	1.1	(36.6)
Recovery of loans written off as losses	21.7	37.8	2.5	25.9	1.3	45.9	21.5	1.7	20.5
Expenses with assigned operations	(3.7)	(6.5)	(0.4)	(2.4)	(0.1)	170.8	0.0	0.0	100.0
Exchange variation on loans in foreign currency	(45.2)	(78.7)	(5.3)	97.7	4.9	(180.6)	(52.1)	(4.1)	(287.5)
Leases	18.8	32.8	2.2	12.7	0.6	158.3	2.8	0.2	353.6
Securities	96.4	167.8	11.3	167.5	8.4	0.2	249.5	19.6	(32.9)
Income from compulsory investments	0.2	0.3	0.0	26.8	1.3	(98.9)	16.5	1.3	62.4
Financial operations income	**854.4**	**1,487.6**	**100.0**	**1,995.8**	**100.0**	**(25.5)**	**1,270.9**	**100.0**	**57.0**
Deposits, money market and interbank funds	(199.7)	(347.7)	(23.4)	(915.7)	(45.9)	(62.0)	(451.5)	(35.5)	102.8
Savings deposits	(0.4)	(0.8)	(0.1)	(2.9)	(0.1)	(72.4)	(2.3)	(0.2)	26.1
Foreign securities	(46.8)	(81.4)	(5.5)	(102.1)	(5.1)	(20.3)	(75.7)	(6.0)	34.9
Interbank deposits	(16.2)	(28.2)	(1.9)	(31.7)	(1.6)	(11.0)	(18.4)	(1.4)	72.3
Time deposits	(211.7)	(368.6)	(24.8)	(566.0)	(28.4)	(34.9)	(328.9)	(25.9)	72.1
Repurchase operations	(1.7)	(3.0)	(0.2)	(29.8)	(1.5)	(89.9)	(143.0)	(11.3)	(79.2)
Expenses with Debentures	(6.1)	(10.7)	(0.7)	(6.6)	(0.3)	62.1	(3.2)	(0.3)	106.3
Other	(4.1)	(7.2)	(0.5)	(7.3)	(0.4)	(1.4)	(4.5)	(0.4)	62.2
Exchange variations	87.4	152.2	10.2	(169.3)	(8.5)	(189.9)	124.7	9.8	(235.8)
Borrowings and on-lendings	195.1	339.7	22.8	(574.1)	(28.8)	(159.2)	174.1	13.7	(429.8)
Derivative financial instruments	(190.0)	(330.8)	(22.2)	122.2	6.1	(370.7)	(179.5)	(14.1)	(168.1)
Foreign exchange transactions	(86.6)	(150.9)	(10.1)	405.2	20.3	(137.2)	(122.9)	(9.7)	(429.7)
Provision for loan losses	(133.1)	(231.8)	(15.6)	(277.3)	(13.9)	(16.4)	(138.7)	(10.9)	99.9
Financial operations expenses	**(414.3)**	**(721.5)**	**(48.5)**	**(1239.7)**	**(62.1)**	**(41.8)**	**(718.5)**	**(56.5)**	**72.5**
Gross profit from financial operations	**440.0**	**766.1**	**51.5**	**756.3**	**37.9**	**1.3**	**552.5**	**43.5**	**36.9**
Income from services rendered	7.0	12.1	0.8	10.3	0.5	17.5	4.6	0.4	123.9
Fees from banking services	20.6	35.9	2.4	43.5	2.2	(17.5)	38.3	3.0	13.6
Personnel expenses	(75.3)	(131.2)	(8.8)	(137.7)	(6.9)	(4.7)	(110.7)	(8.7)	24.4
Taxes	(37.2)	(64.8)	(4.4)	(58.7)	(2.9)	10.4	(43.1)	(3.4)	36.2
Other administrative expenses	(65.3)	(113.7)	(7.6)	(116.5)	(5.8)	(2.4)	(109.6)	(8.6)	6.3
Other operating income	62.6	109.0	7.3	12.2	0.6	793.4	14.6	1.1	(16.4)
Other operating expenses	(79.0)	(137.5)	(9.2)	(112.6)	(5.6)	22.1	(73.6)	(5.8)	53.0
Other operating income (expenses)	**(166.6)**	**(290.0)**	**(19.5)**	**(359.4)**	**(18.0)**	**(19.3)**	**(279.4)**	**(22.0)**	**28.6**
Operating result	**273.4**	**476.1**	**32.0**	**396.9**	**19.9**	**20.0**	**273.1**	**21.5**	**45.3**
Non operating result	**2.4**	**4.2**	**0.3**	**1.0**	**0.1**	**320.0**	**0.3**	**0.0**	**233.3**
Income before taxes	**275.8**	**480.3**	**32.3**	**397.9**	**19.9**	**20.7**	**273.4**	**21.5**	**45.5**
Income tax	(52.6)	(91.5)	(6.2)	(141.9)	(7.1)	(35.5)	(88.8)	(7.0)	59.8
Social contribution	(27.8)	(48.4)	(3.3)	(70.1)	(3.5)	(31.0)	(27.1)	(2.1)	158.7
Tax credit	8.1	14.1	0.9	164.1	8.2	(91.4)	45.7	3.6	259.1

Consolidated Statements of Income	**For the Year Ended December 31,**								
	2009	**2009**	**% total(2)**	**2008**	**% total(2)**	**Variation 2009x 2008**	**2007**	**% total(2)**	**Variation 2008x 2007**
	(in US$ million)(1)	*(in R$ million except for percentages)*							
						%			%
Statutory profit sharing	(20.8)	(36.3)	(2.4)	(29.4)	(1.5)	23.5	(21.3)	(1.7)	38.0
Net income	**182.7**	**318.2**	**21.4**	**320.5**	**16.1**	**(0.7)**	**181.9**	**14.3**	**76.2**
Number of shares paid-in (thousand)	—	**260,466**	—	**268,957**	**—**	—	**278,185**	**—**	**—**
Net income per share	—	**1.23**	—	**1.21**	**—**	—	**0.65**	**—**	**—**

Notes:

(1) Translated for convenience only, at the exchange rate in effect as of December 31, 2009 of R$1.7412 per U.S.$1.00 as reported by the Central Bank.

(2) On “Financial operations income.”

Selected Ratios

	As of and for the Year Ended December 31,	
	2009	2008
	%	%
Profitability and performance		
Net interest margin[(1)]	10.6	10.1
Return on average total assets[(2)]	2.7	2.8
Return on average shareholders' equity[(3)]	18.4	19.7
Capital adequacy		
Average shareholders' equity as a percentage of average total assets	15.3	13.0
Capital adequacy ratio[(4)]	16.0	19.3
Asset quality		
Non-performing loans and lease operations[(5)] as a percentage of total loans and lease operations[(6)]	1.3	0.7
Non-performing loans and lease operations as a percentage of total assets	1.1	0.5
Allowance for loan losses[(7)] as a percentage of non-performing loans and lease operations	349.8	572.4
Allowance for loan losses as a percentage of total loans and lease operations	4.6	3.9
Non-performing loans and lease operations as a percentage of shareholders' equity	6.8	3.2
Portfolios D through H credit risk[(8)] as a percentage of total loans and lease operations	8.3	4.7
Efficiency		
Efficiency ratio[(9)]	38.0	38.6
Liquidity		
Deposits[(10)] as a percentage of total assets	51.0	37.0
Total loans and lease operations after allowance for loan losses as a percentage of total assets	76.3	64.6
Total loans and lease operations after allowance for loan losses as a percentage of total funding[(11)]	100.5	87.8

Notes:

(1) Gross profit from financial operations before provision for credit losses as a percentage of average interest-earning assets. Interest-earning assets are assets generating income from financial operations. Specifically interest-earning assets for the purposes of this offering memorandum include "advances on foreign exchange contracts."
(2) Net income as a percentage of average total assets, which is the average for the period.
(3) Net income as a percentage of average shareholders' equity calculated as the average for the period.
(4) Shareholders' equity as a percentage of risk-weighted assets according to the Brazilian Central Bank's resolutions on capital adequacy.
(5) Non-performing loans and lease operations consist of loans and lease operations rated H according to Brazilian Central Bank's resolutions. See "Brazilian Banking System and Industry Regulation—Classification of credit and allowance for loan losses."
(6) Total loans and lease operations consist of loans and lease operations before allowance for loan losses.
(7) "Allowance for loan losses" includes the accounts "Allowance for loan losses" and "Allowance for lease losses" as shown in the Bank's consolidated financial statements as of and for the year ended December 31, 2009.
(8) Portfolios D through H credit risk according to Brazilian Central Bank's resolutions. See "Brazilian Banking System and Industry Regulation —Classification of credit and allowance for loan losses."
(9) Efficiency ratio is defined as the sum of "personnel expenses," "other administrative expenses" and "taxes" divided by the sum of gross profit from financial operations plus "service fee income."
(10) Deposits consist of demand deposits, savings deposits, interbank deposits and time deposits.
(11) Total funding consists of demand deposits, savings deposits, interbank deposits, time deposits, borrowings and on-lendings and securities issued abroad. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Position—Sources of Funding"

RISK FACTORS

As a general matter, investing in the securities of Brazilian banks, such as the Bank, involves a higher degree of risk than investing in securities issued by United States companies or companies in certain other countries with highly developed capital markets. In addition, prospective purchasers of the notes should consider carefully certain factors regarding the Bank and the notes. Accordingly, prospective purchasers of the notes offered hereby should consider carefully, in light of their financial circumstances and investment objectives, all of the information in this offering memorandum and, in particular, the Risk Factors set forth below.

Prospective investors should further note that the Risk Factors described below are not the only risks the Bank faces. These are the risks the Bank considers material. There may be additional risks that the Bank currently considers immaterial or of which it is currently unaware, and any of these risks could have similar effects to those set forth below.

Risks Relating to the Bank and the Brazilian Banking Industry

Brazilian banks, including the Bank, are subject to extensive and continuous regulatory review by the Brazilian government.

The Bank has no control over government regulations, which govern all aspects of the Bank's operations, including the imposition of:

- minimum capital requirements;
- compulsory reserve requirements;
- lending limits and other credit restrictions; and
- accounting and reporting requirements.

The regulatory structure governing Brazilian banks is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change, and new laws or regulations could be adopted. Such changes could materially adversely affect the Bank's operations and the Bank's results.

In particular, the Brazilian government has historically promulgated regulations affecting banks in an effort to implement economic policy. These regulations have been used by the Brazilian government to control the availability of credit and reduce or increase consumption of consumer or other goods and services. There can be no assurance that the Central Bank will not increase reserve requirements or impose new reserve or compulsory deposit requirements. The Bank could be materially and adversely affected by such changes because monies held as compulsory deposits generally yield a lower return than the Bank's other investments and deposits.

The Bank may face increased capital requirements upon the Central Bank's implementation of the Basel II Accord.

In June 2004, the Basel Committee on Banking Regulations and Supervisory Practices approved a new framework for risk-based capital adequacy commonly referred to as the Basel II Accord. The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions. As part of its implementation of the Basel II Accord, the Central Bank has adopted new capital adequacy regulations which, among other provisions, contain changes to the risk-weighting for different categories of loans. Under the approved regulations (Circular No. 3,360, dated September 12, 2007) the risk-weighting for retail loans were reduced from 100% to 75% as of July 1, 2008. Accordingly, under the current adopted capital adequacy regulations the Bank will be required to decrease the risk-weighting for the Bank's payroll deductible loans from 100% to 75%. On the other hand, loans assigned with a repurchase commitment will retain the same risk-weighting (75%) they were allocated prior to their assignment, even if they are treated as off-balance sheet loans following their assignment. Given that the implementation process of the Basel II Accord is still ongoing, the Central Bank may pass additional capital adequacy regulations. The Bank could be materialy and adversely affected by these additional capital adequacy regulations.

Changes in reserve and compulsory deposit requirements could materially adversely affect the Bank's business, condition (financial or otherwise), revenues, prospects or results of operations.

The Central Bank has periodically changed the amount of reserves that financial institutions in Brazil are required to maintain with it. In mid-2002, the Central Bank re-imposed reserve requirements that had been relaxed in the recent past. The Central Bank increased market liquidity on November 19, 2004 by providing that only time deposits exceeding R$300.0 million per financial institution should be subject to compulsory deposits with the Central Bank. As a result of these regulatory changes, the Bank is currently not required to, and as of December 31, 2009 did not, maintain any compulsory deposits with the Central Bank.

In the future, the Bank could be materially adversely affected by any changes to reserve requirements since the monies held as compulsory deposits generally do not yield the same return as the Bank's other investments and deposits because:

- a portion of compulsory deposits do not bear interest;
- some compulsory deposits must be held in the form of Brazilian government securities; and
- a portion of compulsory deposits must be used to finance both the federal housing program and the rural sector.

Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy historically, and the Bank has no control over such imposition than the requirements contained in the current proposed form.

There can be no assurance that the Central Bank will not increase requirements or establish new requirements for reserves or compulsory deposits. Moreover, the Central Bank may also implement certain guidelines set forth in the International Convergence of the Measurement and Capital Standards: A Revised Framework, known as the New Basel Accord, which may include a stricter policy for risk management.

Intervention by the Central Bank with respect to other financial institutions may affect the confidence of investors and, therefore, adversely affect the Bank's liquidity and financial condition.

In the fourth quarter of 2004, the Central Bank intervened in the activities of Banco Santos S.A., which reduced the confidence of investors in banks, especially in medium-sized financial institutions.

There can be no assurance that the Central Bank will not intervene in the matters of other troubled financial institutions. In the event of a new intervention, medium-sized financial institutions may face significant withdrawals of funds, which may adversely affect their liquidity and financial condition.

Insolvency, intervention, extrajudicial liquidation, bankruptcy and other related procedures with respect to Brazilian middle-market financial institutions may have an adverse effect on the Bank's liquidity, results of operations and financial position.

In the last quarter of 2004, the Bank, together with other Brazilian middle-market banks, experienced a decrease in the level of the Bank's time and interbank deposits following the Central Bank's intervention of Banco Santos S.A. in connection with its insolvency and non-compliance with certain banking regulations. This decrease was mitigated by the increase in funding from CDBs, as the Bank's strategy to focus on the expansion of funding from CDBs and to reduce focus on time and interbank deposits led to a reduced impact, in comparison to other middle-market banks. Although the volumes of these deposits in the domestic market have returned to the levels that existed prior to this intervention, the economic failure of another middle-market bank or any other relevant participant in the Brazilian banking sector, or Central Bank intervention in the affairs of any such bank, may lead to reduced confidence in the Brazilian banking sector as a whole or the operations of other middle-market banks, including the Bank, and consequently a temporary or permanent reduction in CDBs and interbank deposit levels of potential investors. Any such event could have a material adverse effect on the Bank's liquidity, results of operations and financial condition.

Changes in Brazilian tax laws may adversely impact the Bank's business and results of operations.

The Brazilian government regularly implements changes to tax, social security and other laws and tax assessment regimes that affect the Bank and the Bank's customers. These changes include changes in applicable assessment rates and, occasionally, enactment of temporary taxes, the proceeds of which may be earmarked for designated governmental programs. Some of these measures may result in increases in the Bank's tax payments, which could adversely impact the Bank's profitability and the Bank's ability to conduct certain business operations. There can be no assurance that the Bank will be able to maintain the Bank's historic profitability levels following any material increases in Brazilian taxes applicable to the Bank and the Bank's operations. In addition, changes in tax regulations have previously, and could in the future, produce uncertainty in the Brazilian financial system, increase funding costs and contribute to an increase in its non-performing credit portfolio. The Bank has not, and cannot, quantify the effects of any changes in tax regulations that may be implemented by the Brazilian government in the future. There can be no assurance that any future changes in tax regulations will not have an adverse effect on the results of the Bank's operations.

As of December 1, 2003 and as of February 1, 2004, the non-cumulative tax regime (similar to a value-added tax) was introduced in connection with the Contribution to the Social Integration Program (*Programa de Integração Social*), or PIS, and the Contribution for Social Security Funding (*Contribuição para Financiamento de Seguridade Social*), or COFINS, respectively pursuant to which these contributions became subject to 1.65% and 7.6% tax rates, respectively, and the taxpayer is allowed to recognize certain specific tax credits. The non-cumulative tax regime is not applicable to financial institutions, which continued to be subject to the cumulative regime for assessment of PIS and COFINS contributions, at 0.65% and 3% rates, respectively. Notwithstanding these changes, the Brazilian Congress, pursuant to Law No. 10,684 of May 30, 2003, approved the increase in the rate of the COFINS, payable by entities in the financial services sector, including the Bank, from 3.0% to 4.0%. Therefore, as of September 2003, PIS and COFINS contributions are currently imposed on the Bank's gross revenues at a combined rate of 4.65%. See "Taxation—Brazilian Tax Considerations."

The Social Contribution on Net Profits (*Contribuição Social Sobre o Lucro Líquido*), or CSLL, is a corporate tax levied on net profits, adjusted by additions and exclusions as determined by the applicable tax laws, generated by operations carried out on a worldwide basis (which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates). The general rate applicable is 9%. However, as of May 2008, the CSLL rate applicable to financial institutions is 15%, in accordance with the provisions of the Provisional Measure n. 413 of January 3, 2008, approved and converted into Law 11,727, of June 23, 2008.

The Bank's relationships with its principal shareholders could potentially have a material adverse effect on the Bank's business.

The Bank is currently controlled by Gemini Holding and Primus Holding (indirectly through BIC Corretora), which are 100% controlled by the Bezerra de Menezes family. The Bezerra de Menezes family indirectly holds 98.25% of the voting shares and 72.32% of the total shares of the Bank and, therefore, through the appointment of all members of the executive officers committee (current denomination of the former board of executive officers – see "Management and Employees"), has the ability to control the decision-making power of the Bank, and, among other things, to approve related-party transactions or corporate reorganizations, the issuance of additional securities and the provision of guarantees, in accordance with the Central Bank's regulations. Although the Bezerra de Menezes family has historically adopted a conservative approach with respect to its investments in the Bank, there can be no assurance that the interests of the controlling shareholders will always coincide with those of the noteholders and that the interests of the noteholders will not be adversely affected as a result. Furthermore, members of the Bezerra de Menezes family are active in the management of the Bank. Any change in control of the Bank could have a material adverse effect on the Bank's management and the Bank's results of operations.

The Bank's trading activities and derivatives transactions may produce material losses.

The Bank engages in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on short-term differences in price. These investments could expose the Bank to the possibility of material financial losses in the future, as securities are subject to fluctuations in value which may generate losses. In addition, the Bank enters into derivatives transactions to manage its exposure to interest rate and exchange rate risk. There can be no assurance that the Bank's operations will not suffer losses in connection with these derivative transactions.

Brazilian law establishes certain limitations on interest rates which, if enforced, could impact the Bank's business, condition (financial or otherwise), revenues, prospects and results of operations.

The general rules applicable to interest rates in Brazil are set out in the Brazilian Civil Code (Law No. 10,406 of January 10, 2002, the "Civil Code"). The interest rate ceiling has been pegged to the base rate charged by the National Treasury Office (*Fazenda Nacional*). The Central Bank then reduced the interest rate, as measured by the Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*), or SELIC, from 13.25% to 11.25% as of December 31, 2007. However, in a further attempt to control inflation, the Central Bank consecutively increased the SELIC rate until it reached 13.75% on September 10, 2008. In 2009, in response to the international financial crisis and its effects in Brazil, the Central Bank reduced the SELIC rate to 12.75%, 11.25%, 10.25%, 9.25% and then to 8.75%, its lowest level since its creation in 1986, on January 21, 2009, March 11, 2009, April 29, 2009, June 10, 2009, and July 22, 2009, respectively. The Central Bank held the SELIC rate at 8.75% on September 2, 2009, October 9, 2009, January 27, 2010 and March 17, 2010. However, the Brazilian Federal Supreme Court has held that the interest rate limitations set out in Brazilian legislation are not applicable to financial institutions. The Bank cannot provide assurance that the Brazilian Federal Supreme Court will not change its position regarding the Civil Code or any other relevant Brazilian legislation. Any substantial increase in interest rates could have a material effect on the financial condition, results of operations or prospects of Brazilian banks, including the Bank.

The Bank's results of operations could be materially affected if the Bank were to lose any of the Bank's key management personnel.

As of December 31, 2009, the Bank had 747 permanent employees. Due to the Bank's relatively small size within the Brazilian banking sector, the Bank relies significantly on certain key professionals and senior management in conducting the Bank's operations. The Bank's results of operations could be materially adversely affected if the Bank's were to lose any of its key management personnel. See "Management and Employees."

Interruption or failure in the Bank's information technology systems may adversely affect the Bank's operations.

As a financial institution, the Bank's success depends on the efficient and uninterrupted operation of the Bank's computer and communications hardware systems. The Bank's computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, computer viruses, physical or electronic break-ins, and similar events or disruptions. Any of these events could cause system interruption, delays, loss of critical data and could prevent the Bank from operating. Despite the implementation of network security measures by the Bank, and its continuous surveillance of security measures in order to mitigate potential damages, the Bank's servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disturbances, which could lead to interruptions, delays, loss of data or the inability to operate. Further, the Bank's disaster recovery planning may not be sufficient for all eventualities, and the Bank may have inadequate insurance coverage or insurance limits to compensate the Bank for losses from a major interruption. If any of this were to occur, it could damage the Bank's reputation, be expensive to remedy and adversely affect the Bank's operations and financial condition.

The Bank faces increased competition from the Brazilian and international banks, as well as from independent asset managers, which may negatively affect the Bank's business results and prospects.

The markets for financial and banking services in Brazil are highly competitive. Since the early 1990s, the banking industry in Brazil has experienced a period of consolidation. A number of banks were liquidated, many important state banks were privatized and many medium sized private sector banks were acquired. In addition, many of the world's largest institutions have established sizable operations in Brazil.

The Brazilian banking industry also faces increasing competition from investment banks and other financial intermediaries that can provide larger companies with access to the capital markets as an alternative to bank loans.

In its corporate activities, the Bank competes with other Brazilian banks offering similar services, as well as with foreign investment banks that operate in Brazil.

Brazilian regulations raise limited barriers to market entry and do not differentiate between local or foreign financial institutions, except for the requirement of an authorization from the Brazilian government for the incorporation of foreign financial institutions. As a result, the presence of foreign banks in Brazil, many of which have greater resources than the Bank, has grown and competition in the banking industry generally has increased. The privatization of government-owned banks has also made the Brazilian markets for banking and other financial services more competitive. As a result of a consolidation process, the Brazilian banking industry is now dominated by large institutions and a group of niche banks competing aggressively to gain market share for each of their financial products.

In view of the current environment in the Brazilian financial system, the Bank faces increased competition from the Brazilian and international banks, as well as from independent asset managers.

The increased competition may negatively affect the Bank's business results and prospects by, among other things:

- reducing the Bank's profit margins on the banking and other services and products the Bank offers;
- increasing competition for investment opportunities; and
- limiting the Bank's ability to increase its client base and expand its operations.

Exposure to Brazilian government debt could have an adverse effect on the Bank's business.

As is the case with many other large Brazilian banks, the Bank invests in debt securities of the Brazilian government. As of December 31, 2009, 86.6% of its securities and derivative financial investments were comprised of debt securities issued by the Brazilian government, which represented approximately 3.5% of the Bank's total assets. As of December 31, 2008, 48.8% of its securities and derivative financial investments were comprised of debt securities issued by the Brazilian government, which represented approximately 2.7% of the Bank's total assets. As of December 31, 2007, 95.5% of its securities and derivative financial investments were comprised of debt securities issued by the Brazilian government, which represented approximately 18.5% of the Bank's total assets. Any failure by the Brazilian government to make timely payments pursuant to the terms of these securities would have a material adverse effect on the Bank's financial position and results of operations. Furthermore, a significant decrease in the market value of Brazilian government securities held by the Bank could have a material adverse effect on the Bank's financial condition, results of operations and capitalization.

The Bank's securities portfolio is subject to market fluctuations due to changes in Brazilian or international economic conditions.

Marketable securities represented R$447.3, or 3.9% of the Bank's assets as of December 31, 2009, compared to R$369.1 million, or 3.1% of the Bank's assets as of December 31, 2008, and R$2,108.6 million, or 19.4% of the Bank's assets as of December 31, 2007. Realized and unrealized investment gains and losses, on these securities, and particularly on equity investments, have had and will continue to have a significant impact on the Bank's results of operations. These gains and losses, which the Bank records when investments in securities are sold or are marked to market (in the case of trading securities), may fluctuate considerably from period to period. The level of fluctuation depends primarily upon the market value of the securities, which in turn may vary considerably depending upon economic and market conditions, and the Bank's investment policies. The Bank cannot predict the amount of realized or unrealized gains or losses for any future period, and variations from period to period have no practical analytical value in helping the Bank make such a prediction. Gains or losses on the Bank's investment portfolio may not continue to contribute to or otherwise affect net income at levels consistent with recent periods or at all and the Bank may not successfully realize the appreciation now existing in the Bank's consolidated investment portfolio or any portion thereof, resulting in a substantial loss in relation to the Bank's results of operations.

The profile of the Bank's lending portfolio may suffer due to a decline in Brazilian or international economic conditions.

The Bank's lending portfolio was R$9,119.2 million as of December 31, 2009, compared to R$8,066.4 million as of December 31, 2008 and R$7,617.9 million as of December 31, 2007, in each case including only those CCBs which were retained in its lending portfolio and excluding contingent obligations. As of December 31, 2009, the Bank's allowance for loan losses was R$418.8 million, representing 4.6% of its total lending portfolio. As of December 31, 2008, the Bank's allowance for loan losses was R$310.9 million, representing 3.9% of its total lending portfolio, compared to R$133.4 million as of December 31, 2007, representing 1.8% of its total lending portfolio. The quality of the Bank's lending portfolio is dependent on domestic and, to a lesser extent, international economic conditions. The increase of allowance for loan losses was due to the Bank's decision to make additional provisions during the period due to the Bank's perception of the negative impact of the global financial crisis on the Brazilian economy and in some of its clients' financial conditions in the period. The Bank lends domestically in Brazilian currency mainly to corporate and middle-market borrowers in the commercial, services and industrial sectors. The ten largest customers of the Bank had loans outstanding in the amount of R$813.7 million and accounted for 42.0% of the Bank's referential equity value as of December 31, 2009. Adverse changes affecting any of the sectors or individual borrowers to which the Bank has significant lending exposure, political events within and external to Brazil or the variability of economic activity may have an adverse impact on the Bank.

Mismatches in the Bank's credit portfolio compared to its sources of funding may adversely affect the Bank's operating results and the Bank's ability to expand its credit operations.

The Bank is exposed to some mismatches between its credit portfolio and obligations in relation to interest rates and maturities. Mismatches between the maturity of the Bank's credit portfolio and its sources of funding would increase the probability of imbalances related to interest rates, which also represents a liquidity risk if the Bank is not able to obtain funding to meet its obligations and operational needs. An increase in the cost of funds may increase the interest rates on the Bank's loans, which may, as a result, affect the Bank's ability to attract new customers. If the Bank fails to attract new borrowers or if the Bank's costs of funds increase and the Bank cannot pass along these increases to its borrowers, the Bank's operating results and financial condition could be materially adversely affected.

Problems in raising funds may negatively affect the Bank's operating results.

The structure that the Bank has adopted to raise funds involves raising funds in the domestic and international capital markets. An international liquidity crisis could increase the costs of raising funds in foreign currencies, which would negatively affect the results of the Bank's operations. Moreover, there can be no assurance that time deposits in the local market will continue to remain available under favorable conditions. In the event that the Bank is not able to raise new funds, it may not be able to increase the volume of its credit portfolio or to efficiently respond to changes in business conditions and competitive pressures, which may adversely affect the Bank's business, financial condition and operating results.

A reduction of the Bank's credit rating may increase its borrowing costs, which may negatively affect the Bank's operating results.

The Bank's borrowing costs depend on several factors, including some factors beyond its control, such as macroeconomic conditions and the regulatory environment for banks in Brazil. Any unfavorable change in these factors may negatively affect the Bank's credit rating. An adverse impact in the Bank's credit rating may limit the Bank's ability to borrow funds or issue securities under favorable conditions, thereby increasing its borrowing costs. The factors and contingencies that may affect the Bank's borrowing costs are frequently the same ones that may lead it to raise additional capital.

If the Bank's credit ratings were to be adversely affected, the Bank might be unable to obtain funding on acceptable terms, if at all, on occasions where it requires additional funding.

The Bank's ability to collect payments arising from transactions in payroll deductible loans depends on the efficiency and validity of the agreements entered into with employers and public institutions.

A portion of the Bank's revenues arises from transactions in payroll deductible loans. Payments from such transactions are directly deducted from the salaries of the borrowers. In the event that the agreements entered into with the employers of the borrowers or public institutions are terminated, the salary deductions may be cancelled. The following circumstances can also result in the incurrence of losses on the Bank's payroll deductible loan portfolio:

- In the event of dismissal, removal or death of the borrower, the payment of the payroll deductible loan may exclusively depend on the financial ability of the borrower or the borrower's heirs. There can be no assurance that the Bank will be able to recover the credit under these circumstances.

- If a borrower divorces, under certain cases, in accordance with Brazilian law, alimony payable by the borrower may be deducted directly from the payroll. These deductions from payroll may take priority compared to other debts of the borrower (including loans with the Bank) and, therefore, the Bank may not receive payment in full for the payroll deductible loans.

- A decline in the credit quality of the public institutions employing the borrowers, as well as internal failures in the processing of the payroll of such borrowers, may increase the losses in the Bank's portfolio of payroll deductible loans.

Any of the above mentioned risks may increase the percentage of losses arising from these transactions, as well as the management and other expenses related to the collection of the amounts payable, adversely affecting the Bank's operations and financial condition.

The Bank may not be successful in the implementation of its strategy, which may adversely affect the Bank's business and operating results.

The Bank intends to consolidate and expand its market share in the middle market segment, mainly through issuing loans to companies, including trade finance transactions, payroll deductible loans and the provision of direct credit to consumers through the acquisition of Sul Financeira. See "Business─Loan Operations─Loans to private individuals." Acquisitions of other financial institutions or portfolios in line with the Bank's current activities may represent one of the components of the Bank's growth strategy.

There are inherent risks in any acquisition and there can be no assurance that the acquisition of Sul Financeira or any future acquisition will not negatively affect its business and operating results. Therefore, there can be no assurance that the Bank will be able to successfully conclude acquisitions, or that the Bank will be able to integrate successfully these acquired companies or portfolios. The Bank's failure in the implementation of successful acquisitions of companies or portfolios may have a significant and adverse effect against its operations.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian economic and political conditions have a direct impact on the Bank's business, financial condition, results of operations, and the trading price of the notes.

The Brazilian economy has been characterized by frequent and occasionally extensive intervention by the Brazilian government and unstable economic cycles. The Brazilian government has often changed monetary, taxation, credit, tariff and other policies to influence the course of Brazil's economy.

The Brazilian government's actions to control inflation and implement other policies have at times involved increased interest rates, changes in tax policies and tax legislation, price controls, currency depreciation, capital controls and import limitations into Brazil.

The Bank has no control over, and cannot predict, any measures or policies adopted by the Brazilian government in the future. The Bank's business, results of operations, financial condition and the market for the notes may be adversely affected by changes in policies or rules involving the factors such as:

- banking regulations;
- the regulatory environment;
- interest rates;
- exchange rate variations;
- exchange control policies;
- inflation;
- liquidity of domestic capital and lending markets;
- tax policies; and
- other political, diplomatic, social and economic developments affecting Brazil.

In October 2010, presidential elections will take place in Brazil. Even though the federal government has adopted solid economic policies over the last few years, uncertainties, in relation to the implementation by the new government of changes relating to the monetary, tax and pension funds policies as well as to the relevant legislation may contribute to economic instability. These uncertainties and new measures may increase market volatility of Brazilian securities issued abroad. It is not possible to predict whether the government elected in 2010 or any succeeding governments will have an adverse effect on the Brazilian economy, the Brazilian securities market, and, consequently, on the Bank's businesses.

Inflation, and government measures to curb inflation, may contribute significantly to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities market.

Brazil has historically experienced extremely high rates of inflation. More recently, inflation rates in Brazil for the years ended December 31, 2009, 2008 and 2007, as measured by the national consumer price index (*Indice de Preços ao Consumidor Amplo*) or IPCA, were 4.31%, 5.9% and 4.5%, respectively. Inflation and governmental measures to combat inflation have historically had significant negative effects on the Brazilian economy. Inflation, together with government measures to combat inflation and public speculation about possible future government measures, has had significant negative effects on the Brazilian economy and contributed to increase economic uncertainty in Brazil and heighten volatility in the Brazilian securities markets, which may have an adverse effect on the Bank.

These measures to combat inflation have historically included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. As a result, interest rates, as measured by SELIC, have fluctuated significantly. Increases in the SELIC rate may have an adverse effect on the Bank by reducing demand for its credit, and increasing its cost of funds, domestic debt expense and the risk of customer default. Decreases in the SELIC rate may also have an adverse effect on the Bank by decreasing the interest income it earns on its interest-earning assets and lowering its revenues and margins.

Future Brazilian government actions, including interest rate decreases, intervention in the foreign exchange market and actions to adjust or fix the value of the *real* may trigger increases in inflation. If Brazil experiences fluctuations in rates of inflation in the future, the Bank's costs and net margins may be affected and, if investor confidence lags, the price of the Bank's securities may fall. Inflationary pressures may also affect the Bank's ability to access foreign financial markets and may lead to counter-inflationary policies that may have an adverse effect on the Bank's business, financial condition, results of operations and the market price of the notes.

Fluctuations in the real/U.S. dollar exchange rate may adversely affect the Bank's results of operations and financial condition.

The Brazilian currency has devalued often during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and various exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system.

The Brazilian government has not prevented the remittance of gains to foreign investors since 1990 and has never prevented the remittance of gains to foreign investors in connection with securities. The Brazilian government currently does not impose limits on the conversion of the *real* into foreign currencies, as long as the transactions are legal and based on market terms. The parties to these transactions must take responsibility for the terms of each foreign exchange transaction.

It is uncertain whether in the future the Brazilian government will institute a more restrictive exchange control policy. These policies could prevent the Bank accessing international capital markets and make foreign investors and banks reluctant to lend to Brazilian borrowers. These policies could also negatively affect the ability of Brazilian borrowers (including the Bank) to make payments abroad in connection with transactions in foreign currency. Many factors beyond the Bank's control may affect the likelihood of impositions of such restrictions at any time by the Brazilian government. These factors relate primarily to:

- the extent of Brazil's foreign currency reserves;
- the availability of sufficient foreign exchange on the date a payment is due;
- the size of Brazil's debt service burden relative to the economy as a whole;
- Brazil's policy towards the International Monetary Fund; and
- political constraints to which Brazil may be subject.

From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. The *real* depreciated against the U.S. dollar by 9.3% in 2000, 18.7% in 2001, 52.3% in 2002, 18.8% in 2004 and 32.2% in 2008. The *real* appreciated against the U.S. dollar by 19.4% in 2003, 15.9% in 2005, 5.9% in 2006, 17.0% in 2007 and 25.6% in 2009, respectively, and the Bank cannot be certain that the *real* will not fluctuate substantially against the U.S. dollar in the future. On April 19, 2010, the exchange rate between the *real* and the U.S. dollar was R$1.75 to U.S.$1.00.

As of December 31, 2009, approximately 29.5% of the Bank's funding costs were denominated in, or indexed to, the U.S. dollar. A depreciation of the *real* against the U.S. dollar could have a material adverse effect on the Bank's business, since it would be more expensive to service its U.S. dollar-indexed or U.S. dollar-denominated indebtedness. Moreover, depreciation of the *real* against the U.S. dollar would also adversely affect the ability of the Bank's clients to pay their U.S. dollar-indexed or U.S. dollar-denominated debts. Further, depreciations of the *real* would decrease the value of the Bank's assets, when expressed in U.S. dollars.

Devaluations of the *real* against the U.S. dollar could also result in additional inflationary pressures in Brazil, leading to increased interest rates and causing the Brazilian government to adopt restrictive policies, which may negatively affect the Brazilian economy and the Bank's business and financial situation. On the other hand, further appreciation of the *real* against the U.S. dollar may lead to the deterioration of U.S. dollar-denominated reserves and the balance of payments in Brazil and dampen export-driven growth. Any of the aforementioned situations may adversely affect the Bank's financial condition and results of operations. The potential impact of exchange rate fluctuations and measures adopted by the Brazilian government to stabilize the *real* are uncertain. Volatility of the *real* against the U.S. dollar may adversely affect the Bank's ability to obtain financing for its business through the capital markets and international markets.

Adverse changes in Brazilian economic conditions could cause an increase in defaults by customers on their outstanding obligations to the Bank, which could materially reduce the Bank's earnings.

The Bank's banking and related businesses are significantly dependent on the ability of the Bank's customers to make payments on their loans and meet their other obligations to the Bank. If the Brazilian economy worsens because of, among other factors:

- the level of economic activity;
- devaluation of the *real*;
- inflation; or
- an increase in domestic interest rates,

a greater portion of the Bank's customers may not be able to repay loans when due or to meet their debt service requirements, which would increase the Bank's past due loan portfolio and could materially affect the Bank's financial condition.

Differences in corporate disclosure requirements and standards.

Disclosure requirements and standards applicable to Brazilian companies differ from those in the United States in certain respects. In general, there may be substantially less information available about Brazilian companies, including the Bank, as a whole than there would be generally available about a publicly traded company, especially financial institutions, in the United States or certain other countries with highly developed capital markets.

All Brazilian companies, including the Bank, prepare their financial statements in accordance with Brazilian GAAP, which differ in certain respects from U.S. GAAP and IFRS. Although Law No 11,638 of December 28, 2007 and Law No. 11,941 of May 27, 2009 were enacted in order to converge Brazilian accounting standards and rules to those of IFRS, the Bank cannot guarantee the level of convergence that will occur. As a result, Brazilian financial statements may differ significantly from financial statements prepared in accordance with U.S. GAAP or the accounting standards of other countries. Thus, the items appearing on the financial statements of a company in Brazil may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with U.S. GAAP or such other accounting standards.

Deterioration in economic and market conditions in other countries, especially emerging market countries, may adversely affect the Brazilian economy and the Bank's business.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging countries and the United States. Although economic conditions are different in each country, investors' reactions to developments in one country may affect the capital markets in other countries.

These conditions have included the depreciation of the Mexican peso in December 1994, the Asian economic crisis in 1997, the Russian monetary crisis in 1998, the Argentine economic and political crisis in 2002 and the crisis recently experienced in the global financial markets, which had its roots in the subprime mortgage crisis in the United States in 2008. Crises in other emerging markets may decrease investments in securities issued by Brazilian companies, including securities issued by the Bank. This could affect the market price of the Bank's shares and make its access to capital markets and financings on acceptable terms in the future difficult or impossible.

Conditions in the Brazilian economy may limit the ability of the Bank's clients to repay their loan obligations.

The Brazilian economy has been subject to a number of disruptions and conditions that have materially adversely affected the availability of credit to Brazilian companies. Disruptions in the Brazilian economy may adversely affect the Bank's ability to grow its loan portfolio and the ability of certain of its clients to timely repay their obligations to the Bank or may otherwise adversely affect the Bank's financial condition or results of operations.

Risks Relating to the Notes

The Bank may amend certain terms and conditions of the notes without noteholder prior consent to comply with Central Bank requirements to qualify the notes as Tier II Capital.

The Bank expects to qualify the notes as Tier II capital subject to the Central Bank's approval. The Central Bank's approval is still pending and the Central Bank may require the Bank to amend certain terms and conditions of the notes as a condition to granting such approval. The Bank has a one-time right to amend without the prior consent of noteholders, the terms and conditions of the notes, solely in order to comply with the requirements of the Central Bank to qualify the notes as Tier II capital pursuant to CMN Resolution No. 3,444, as amended. The Bank will not be permitted to make any amendments without noteholders' consent if such amendment would decrease the interest rate or ranking of the notes subsequent to the date of their issuance, would affect the method of computing the amount of principal, interest or other amounts payable on any date, change any place of payment or any currency of payment, change any redemption provision, or would affect in any way the cumulative nature of any interest payments due on amounts in arrears or the outstanding principal amount of the notes (as described in "Description of the Notes—Ranking") or the original maturity date of the notes. Any amendment to the notes may adversely impact your rights as a noteholder and may adversely impact the market value of the notes.

Applicable Brazilian regulations do not expressly provide for different levels of subordination in the event of bankruptcy, liquidation or dissolution.

Subject to Central Bank approval, the Bank expects to qualify the notes as Tier II capital. The notes will be the Bank's subordinated obligations, junior in right of payment upon the Bank's bankruptcy, liquidation or dissolution to the Bank's senior indebtedness (as defined in "Description of the Notes"). However, applicable Brazilian regulations do not contain any express provision stating Tier II capital is senior to Tier I subordinated capital or that obligations constituting subordinated capital may rank senior to other obligations that also constitute subordinated capital.

On March 3, 2006, the Bank issued U.S.$129 million of Tier II subordinated notes. These notes are listed on the Swiss Stock Exchange and are due to mature in 2016. On November 3, 2009, the Bank issued R$200 million of subordinated CDBs, which the Central Bank recently approved as Tier II subordinated capital. These CDBs are due to mature in 2019. The Bank may in the future create similar subordination provisions in new issuances of subordinated debt, including those that the Bank intends to qualify as Tier I subordinated capital.

Law No. 11,101 dated as of February 9, 2005, as amended, or the Brazilian Bankruptcy Law, governs the bankruptcy, liquidation or dissolution of Brazilian companies. Although the Brazilian Bankruptcy Law recognizes the principle of contractual subordination of claims, there is a lack of court precedent in Brazil that validates or upholds this principle. At present, the Brazilian Bankruptcy Law also does not expressly provide for different levels of subordination.

Accordingly, in the event of the Bank's bankruptcy, liquidation or dissolution, the Bank cannot assure noteholders that Brazilian bankruptcy courts would recognize and properly enforce the contractual subordination of subordinated obligations to the notes.

The Bank's obligations under the notes will be subordinated to certain statutory liabilities.

The notes will by their terms be subordinated in right of payment to all of the Bank's current and future secured and unsecured senior indebtedness, including all of the Bank's obligations to its depositors and all of its obligations under financial instruments and derivatives. By reason of the subordination of the notes, in the event of the Bank's winding up or the Bank's dissolution, or similar events, although the notes and any accrued interest thereon will become immediately due and payable, the Bank's assets will be available to pay such amounts only after all of its senior obligations have been paid in full.

According to Brazilian bankruptcy regulations, in the event of the Bank's liquidation, certain claims, such as claims for salaries, wages and social security from the Bank's employees (up to an amount equivalent to 150 times the minimum wage), claims deriving from transactions secured by collateral, as well as taxes and court fees and expenses, will have preference over any other claim, including in respect of the notes. See "The Brazilian Financial System and Banking Regulation—Banking Industry Regulations—Principal Limitations and Restrictions on Financial Institutions—Bank Failure—Interventions, administrative liquidation and bankruptcy—Repayment of creditors in liquidation" for a discussion of recent measures affecting the priority of repayment of creditors.

If the Bank does not satisfy its obligations under the notes, noteholders' remedies will be limited.

Payment of principal of and unpaid and accrued interest on the notes may be accelerated only in the event of certain events involving the Bank's bankruptcy, extrajudicial liquidation, winding up or dissolution or similar events. There is no right of acceleration in the case of a default in the performance of any of the Bank's covenants, including the payment of principal or interest.

Even if the payment of principal of and unpaid and accrued interest on the notes is accelerated, the Bank's assets will be available to pay those amounts only after:

- all of the Bank's senior obligations have been paid in full, as described above in "—The Bank's obligations under the notes will be subordinated to certain statutory liabilities;" and

- the Bank is declared bankrupt, is liquidated, wound up or are otherwise dissolved for purposes of Brazilian law.

If, after these conditions are met, the Bank intends to make any payment abroad from Brazil, the Bank may be required to obtain the prior approval of the Central Bank for the remittance of funds outside Brazil.

Absence of a public market for the notes.

There is no existing public market for the notes and there is no assurance that one will develop. Application has been made to the Luxembourg Stock Exchange to approve these listing particulars and to admit the notes to listing on the Official List, and to trading on the Euro MTF Market, of the Luxembourg Stock Exchange. There can be no assurance that an active trading market for the notes will develop, or if one does develop, that it will be maintained. In addition, there is no obligation on the Bank or the initial purchasers to establish a market for any notes. If an active trading market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected.

The market for debt securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions and interest rates in other Latin American countries. For example, following the various economic crises in the region, the market for debt instruments issued by Latin American companies (including Brazilian companies) has been volatile, and this volatility has adversely affected the price of such securities. The Bank cannot assure noteholders that events in Latin America or elsewhere will not cause a continuation of recurrence of such market volatility, that such volatility will not adversely affect the price of notes or that economic and market conditions will not have any other adverse effect.

The book-entry registration system of the notes may limit the exercise of rights by the beneficial owners of the notes.

Because transfers of interests in global notes representing the notes may be effected only through book entries at DTC, Clearstream, Luxembourg and/or Euroclear, the liquidity of any secondary market in the notes may be reduced to the extent that some investors are unwilling to hold notes in book-entry form in the name of a DTC direct or indirect participant or of an account holder in Clearstream, Luxembourg or Euroclear. The ability to pledge interests in global notes may be limited due to the lack of a physical certificate. In addition, beneficial owners of interests in global notes may, in certain cases, experience delay in the receipt of payments of principal and interest since the payments will generally be forwarded by the relevant agent to DTC, Clearstream, Luxembourg or Euroclear, who will then forward payment to its participants or account holders, which (if they are not themselves the beneficial owners) will then forward payments to the beneficial owners of the global notes. In the event of the insolvency of DTC, Clearstream, Luxembourg or Euroclear or any of their participants or account holders in whose name interests in global notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on global notes may be negatively affected.

A holder of beneficial interests in global notes will not have a direct right under the notes to act upon any solicitations that the Bank may request. Instead, holders will be permitted to act only to the extent they receive appropriate proxies or voting certificates to do so from DTC, Clearstream, Luxembourg or Euroclear or, if applicable, their participants or account holders. Similarly, if the Bank defaults on its obligations under the notes, holders of beneficial interests in the global notes will be restricted to acting through DTC, Clearstream, Luxembourg or Euroclear or, if applicable, their participants or accountholders. The Bank cannot assure noteholders that the procedures of DTC, Clearstream, Luxembourg or Euroclear or, if applicable, their participants or accountholders will be adequate to allow them to exercise their rights under the notes in a timely manner.

Judgments of Brazilian courts enforcing the Bank's obligations under the notes are payable only in Brazilian reais.

If proceedings were brought in the courts of Brazil seeking to enforce the Bank's obligations under the notes, the Bank would not be required to discharge its obligations in a currency other than *reais*. Under the Brazilian exchange control limitations, an obligation in Brazil to pay amounts denominated in a currency other than *reais* may only be satisfied in Brazilian currency at the rate of exchange, as determined by the Central Bank, in effect on the date of payment. The Bank cannot provide any assurance that such rate of exchange will afford the full compensation of the amount invested in the notes plus accrued interest (if any).

Payments under the notes are subject to the Bank obtaining certain governmental authorizations.

The Bank's issuance of the notes is subject to certain Central Bank registrations, namely (1) registration of the main financial terms under the relevant Declaratory Registry of Financial Operations (*Registro Declaratório de Operações Financeiras*), or ROF, on the Information System of the Central Bank for the issuance of any series of notes by the Bank, which shall be obtained prior to any such issuance, (2) Schedule of Payments in connection with any such issuance, which shall be obtained after the entry of the related proceeds into Brazil, and (3) further authorization from the Central Bank required to enable the Bank to remit payments abroad in foreign currency under any series of notes other than scheduled payments of principal, interest, commissions, costs and expenses contemplated by the relevant ROF or to make any payment provided for in such ROF earlier than the due date thereof or on a date after the 120^{th} day from the payment dates scheduled therein. It is uncertain that any such approval will be obtainable at any future date. If such approval is not obtained, the Bank may be unable to make payments to noteholders in U.S. dollars.

Controls and restrictions on foreign currency remittance, or remittance to foreign investors generally, could impede the Bank's ability to make payments under the notes.

The purchase and sale of foreign currency in Brazil is subject to governmental control. The Brazilian economy has experienced balance of payment deficits and shortages in foreign currency reserves to which the Brazilian government has responded by restricting the ability to convert Brazilian currency into foreign currency. Brazilian law provides that whenever a serious imbalance in Brazil's balance of payments exists or is anticipated, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil. For example, in 1989 and early 1990, the Brazilian government restricted fund transfers that were owed to foreign equity investors and held by the Central Bank, in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released. However, similar measures could be taken by the Brazilian government in the future.

Even though the Brazilian foreign exchange market passed through a de-regulation process in the last five years, the Brazilian government may in the future:

- restrict companies, including financial institutions such as the Bank, from paying amounts denominated in foreign currencies (such as payments under the notes), or
- require that any of those payments be made in *reais*.

The likelihood of such restrictions may be determined by the extent of Brazil's foreign currency reserves, the availability of foreign currency in the foreign exchange markets on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy toward the International Monetary Fund, political constraints to which Brazil may be subject and other factors. To date, the Brazilian government has not imposed any restrictions on payments by Brazilian issuers in respect of debt securities issued in the international capital markets, but the Bank cannot assure you that such restrictions will not be imposed by the Brazilian government.

ENFORCEABILITY OF CIVIL LIABILITIES

The Bank is a corporation organized under the laws of Brazil. Substantially all of the Bank's directors and executive officers and certain advisers named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of the Bank's assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons or to enforce against them or against the Bank judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions.

The Bank has been advised by Machado Meyer Sendacz e Opice, its Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of such countries, including the securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. A judgment against either the Bank or any other person described above obtained outside Brazil would be enforceable in Brazil against the Bank or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Federal Superior Court of Justice (*Superior Tribunal de Justiça*), or STJ. That confirmation, generally, will occur if the foreign judgment meets the following conditions:

- it complies with all formalities necessary for its recognition as an enforcement instrument under the laws of the jurisdiction where it was issued;
- it has been rendered by a competent court after proper service of process on the parties;
- it is not the subject of appeal;
- it does not violate Brazilian national sovereignty, public policy or good morals; and
- it has been duly authenticated by a competent Brazilian consulate and is accompanied by a certified translation in Portuguese (*tradução pública juramentada*).

Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the notes. The Bank understands that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that Brazilian courts may enforce civil liabilities in such actions against the Bank, its directors, certain of its officers and the advisers named herein. A plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge, except in the case of the enforcement of foreign judgments which have been duly confirmed by the STJ.

FOREIGN EXCHANGE RATES AND EXCHANGE CONTROLS

Until March 14, 2005, there were two legal foreign exchange markets in Brazil, the commercial rate exchange market and the floating rate exchange market. The commercial rate exchange market was reserved primarily for foreign trade transactions and transactions that generally required prior approval from Brazilian monetary authorities, such as the purchase and sale of registered investments by foreign persons and related remittances of funds abroad (including the payment of principal of and interest on loans, notes, bonds and other debt instruments denominated in foreign currencies and duly registered with the Central Bank). Purchases of foreign exchange in the commercial market could be carried out only through a financial institution in Brazil authorized to buy and sell currency in that market. The commercial market rate was the commercial selling rate for converting Brazilian currency into U.S. dollars, as reported by the Central Bank. The floating market rate generally applied to specific transactions for which Central Bank approval was not required.

In March 2005, the CMN enacted new rules with respect to the foreign exchange market in Brazil. The new regulations unified the two previously existing foreign exchange markets into a single foreign exchange market, or the Foreign Exchange Market. The new regulations also eliminated previous restrictions and allowed more flexibility for the purchase and sale of foreign currency. The Foreign Exchange Market is intended to simplify both inbound and outbound foreign exchange transactions by permitting exchange contracts to be executed by those local institutions that are authorized to deal in foreign exchange.

Brazilian foreign exchange rules have been made more flexible recently. For example, current regulations provide that all proceeds from the export of goods or services be kept in bank accounts outside of Brazil and eventually used abroad, without any need to repatriate such amounts.

Based on Resolution No. 3,719/09, local exporters are allowed to keep up to 100% of their export proceeds abroad and freely dispose of such amounts (including transferring them to foreign third parties), with due regard for the rules issued by the CMN and by the Federal Revenue Office in Brazil. Such proceeds held abroad, however, cannot be lent by Brazilian exporters.

The Central Bank may, however, in limited circumstances intervene in the foreign exchange market to curb excessive volatility. The foreign exchange rate is reported by the Central Bank on a daily basis.

The following tables set forth the selling rates of the Foreign Exchange Market selling rates published by the Central Bank at the close of business day, expressed in *reais* per U.S. dollar for the periods and dates indicated.

	Closing Selling Rates of *Reais* per U.S.$1.00			
Year Ended December 31,	**Low**	**High**	**Average(1)**	**Period End**
2007	1.73	2.16	1.95	1.77
2008	1.56	2.50	1.84	2.34
2009	1.70	2.42	1.99	1.74

	Closing Selling Rates of *Reais* per U.S.$1.00			
Month	**Low**	**High**	**Average(1)**	**Period End**
January 2010	1.72	1.87	1.78	1.87
February 2010	1.80	1.88	1.84	1.81
March 2010	1.76	1.82	1.79	1.78
April 2010 (through April 19, 2010) (2)	1.73	1.79	1.76	1.75

Note:

(1) Represents the average of the rates on each business day in the period.

(2) On April 19, 2010, the exchange rate published by the Central Bank was R$1.75 per U.S.$1.00.

Brazilian law provides that in the event of a serious imbalance in Brazil's balance of payments, or a foreseeable likelihood of such an imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. There can be no assurance that such measures will not be taken by the Brazilian government in the future. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry."

USE OF PROCEEDS

The Bank estimates the net proceeds from the issuance of the notes to be approximately U.S.$293.2 million after deducting the estimated fees and expenses of the offering. The Bank intends to use the net proceeds of the issuance of the notes to grow its loan portfolio and for other general corporate purposes. In addition, subject to the approval of the Central Bank, the Bank intends to treat the net proceeds as Tier II capital.

CAPITALIZATION

The table below presents the Bank's capitalization as of December 31, 2009. The information described below is derived from the Bank's consolidated financial statements for the year ended December 31, 2009. In calculating its capitalization, the Bank includes derivative financial instruments and deferred income as part of "Non-current liabilities." This may differ from other companies.

You should read the table below in conjunction with the information included in "Selected Financial Data and Other Information," "Selected Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Bank's consolidated financial statements, and related notes thereto, included elsewhere in this offering memorandum.

	As of December 31, 2009			
	Actual		Adjusted[1]	
	(In US$ million[2])	*(In R$ million)*	*(In US$ million[2])*	*(In R$ million)*
Current liabilities				
Deposits	2,686.3	4,677.4	2,686.3	4,677.4
Money market repurchase commitments	4.9	8.4	4.9	8.4
Debt securities	273.0	475.3	273.0	475.3
Interbank accounts	0.1	0.1	0.1	0.1
Interbranch accounts	17.5	30.5	17.5	30.5
Borrowings	702.6	1,223.3	702.6	1,223.3
On-lendings	17.2	30.0	17.2	30.0
Foreign currency on-lendings	84.0	146.2	84.0	146.2
Derivative financial instruments	39.5	68.7	39.5	68.7
Other liabilities	299.2	521.0	299.2	521.0
Total	**4,124.1**	**7,180.9**	**4,124.1**	**7,180.9**
Non-current liabilities				
Deposits	651.3	1,134.0	651.3	1,134.0
Debt securities	76.4	133.1	369.6	643.5
Borrowings	141.9	247.1	141.9	247.1
On-lendings	1.5	2.6	1.5	2.6
Foreign currency on-lendings	117.3	204.3	117.3	204.3
Derivative financial instruments	63.0	109.8	63.0	109.8
Other liabilities	351.8	612.5	351.8	612.5
Total	**1,403.2**	**2,443.3**	**1,696.4**	**2,953.8**
Deferred income	**5.2**	**9.0**	**5.2**	**9.0**
Shareholders' equity	**1,014.5**	**1,766.4**	**1,014.5**	**1,766.4**
Total capitalization	**6,547.0**	**11,399.7**	**6,840.2**	**11,910.2**

(1) As adjusted by the issuance of the notes and assuming net proceeds of U.S.$293.2 million.

(2) Translated for convenience only at the exchange rate in effect as of December 31, 2009 of R$1.7412 per U.S.$1.00 as reported by the Central Bank.

SELECTED FINANCIAL DATA AND OTHER INFORMATION

The Bank presents below its selected financial information as of and for the years ended December 31, 2009, 2008 and 2007. The Bank's selected financial information is based on, and should be read in conjunction with, the Bank's consolidated financial statements and related notes thereto included elsewhere in this offering memorandum, as well as on the information under "Presentation of Financial and Other Information," "Selected Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The consolidated financial information has been prepared in accordance with Brazilian GAAP, Brazilian Corporate Law and the rules set forth by the Central Bank that regulate the consolidation of financial information by financial groups. Accordingly, the financial information related to BIC Cartões, BIC Leasing, BIC Distribuidora and BIC Informática, which are the Bank's wholly owned subsidiaries, are consolidated in the financial statements included elsewhere in this offering memorandum. In the preparation of the consolidated financial statements, direct and indirect interest, the balances of accounts and income and expenses resulting from transactions between companies integrating the Bank's economic group are eliminated.

Certain amounts included in this offering memorandum have been rounded. The totals presented in certain tables may not represent an arithmetical aggregation of the amounts that precede them.

Consolidated Balance Sheets	**As of December 31,**								
	2009	**2009**	**% total(2)**	**2008**	**% total(2)**	**Variation 2009x 2008**	**2007**	**% total(2)**	**Variation 2008x 2007**
	(in US$ million)(1)	*(in R$ million except for percentages)*							
						%			%
Cash and cash equivalents	140.9	245.3	2.2	200.2	1.7	22.5	139.9	1.3	43.1
Interbank funds applied	543.7	946.7	8.3	1,639.6	13.7	(42.3)	128.9	1.2	1,172.0
Securities and derivative financial instruments	256.9	447.4	3.9	446.3	3.7	0.2	2,125.9	19.3	(79.0)
Interbank accounts	55.0	95.8	0.8	118.4	1.0	(19.1)	354.1	3.2	(66.6)
Loans	3,192.3	5,558.5	48.8	5,612.4	46.7	(1.0)	5,053.6	46.0	11.1
Lease operations	63.7	111.0	1.0	54.8	0.5	102.6	6.7	0.1	717.9
Other receivables	608.7	1,059.9	9.3	1,562.5	13.0	(32.2)	1,153.2	10.5	35.5
Other assets	12.4	21.6	0.2	29.2	0.2	(26.0)	40.1	0.4	(27.2)
Current assets	**4,873.8**	**8,486.3**	**74.4**	**9,663.3**	**80.5**	**(12.2)**	**9,002.4**	**81.9**	**7.3**
Interbank funds applied	64.8	112.9	1.0	42.3	0.4	166.9	127.9	1.2	(66.9)
Securities and derivative financial instruments	5.2	9.0	0.1	219.2	1.8	(95.9)	4.9	0.0	4,373.5
Loans	1,165.5	2,029.4	17.8	1,440.8	12.0	40.9	1,509.2	13.7	(4.5)
Lease operations	64.7	112.7	1.0	58.7	0.5	92.0	12.3	0.1	377.2
Other receivables	298.2	519.3	4.6	449.5	3.7	15.5	212.8	1.9	111.2
Other assets	28.8	50.1	0.4	40.6	0.3	23.4	59.3	0.5	(31.5)
Non-current assets	**1,627.2**	**2,833.3**	**24.9**	**2,251.1**	**18.7**	**25.9**	**1,926.4**	**17.5**	**16.9**
Investments	0.3	0.6	0.0	0.6	0.0	0.0	0.5	0.0	20.0
Fixed assets	27.3	47.6	0.4	46.1	0.4	3.3	32.9	0.3	40.1
Intangible	1.3	2.3	0.0	1.0	0.0	130.0	0.0	0.0	100.0
Deferred charges	16.9	29.5	0.3	45.3	0.4	(34.9)	30.0	0.3	51.0
Permanent assets	**45.9**	**80.0**	**0.7**	**93.0**	**0.8**	**(14.0)**	**63.4**	**0.6**	**46.7**
Total assets	**6,547.0**	**11,399.7**	**100.0**	**12,007.3**	**100.0**	**(5.1)**	**10,992.1**	**100.0**	**9.2**
Liabilities									
Deposits	2,686.3	4,677.4	41.0	3,347.4	27.9	39.7	3,283.1	29.9	2.0
Money market repurchase commitments	4.8	8.4	0.1	19.7	0.2	(57.4)	1,354.1	12.3	(98.5)
Debt securities	273.0	475.3	4.2	479.9	4.0	(1.0)	135.0	1.2	255.5
Interbank accounts	0.1	0.1	0.0	0.1	0.2	0.0	0.1	0.0	0.0
Interbranch accounts	17.5	30.5	0.3	26.7	0.2	14.2	61.4	0.6	(56.5)
Borrowings	702.6	1,223.3	10.7	1,937.5	16.1	(36.9)	1,487.9	13.5	30.2
On-lendings	17.2	30.0	0.3	8.7	0.1	244.8	37.3	0.3	(76.7)
Foreign currency on-lendings	84.0	146.2	1.3	58.3	0.5	150.8	4.0	0.0	1,357.5
Derivative financial instruments	39.5	68.7	0.6	27.5	0.2	149.8	79.0	0.7	(65.2)
Other liabilities	299.2	521.0	4.6	1,057.2	8.8	(50.7)	634.2	5.8	66.7

Consolidated Balance Sheets	**As of December 31,**								
	2009	**2009**	**% total(2)**	**2008**	**% total(2)**	**Variation 2009x 2008**	**2007**	**% total(2)**	**Variation 2008x 2007**
	(in US$ million)(1)	*(in R$ million except for percentages)*							
						%			%
Current liabilities	**4,124.1**	**7,180.9**	**63.0**	**6,963.0**	**58.0**	**3.1**	**7,076.1**	**64.4**	**(1.6)**
Deposits	651.3	1,134.0	9.9	1,096.7	9.1	3.4	1,129.2	10.3	(2.9)
Debt securities	76.4	133.1	1.2	642.6	5.4	(79.3)	364.2	3.3	76.4
Borrowings	141.9	247.1	2.2	346.0	2.9	(28.6)	61.8	0.6	459.9
On-lendings	1.5	2.6	0.0	0.7	0.0	271.4	8.4	0.1	(91.7)
Foreign currency on-lendings	117.3	204.3	1.8	424.8	3.5	(51.9)	210.8	1.9	101.5
Derivative financial instruments	63.1	109.8	1.0	24.8	0.2	342.7	172.4	1.6	(85.6)
Other liabilities	351.8	612.5	5.4	818.6	6.8	(25.2)	389.5	3.5	110.2
Non-current liabilities	**1,403.2**	**2,443.3**	**21.4**	**3,354.1**	**27.9**	**(27.2)**	**2,336.3**	**21.3**	**43.6**
Deferred income	**5.2**	**9.0**	**0.1**	**5.1**	**0.0**	**76.5**	**16.3**	**0.1**	**(68.7)**
Shareholders' equity	**1,014.5**	**1,766.4**	**15.5**	**1,685.1**	**14.0**	**4.8**	**1,563.4**	**14.2**	**7.8**
Total liabilities	**6,547.0**	**11,399.7**	**100.0**	**12,007.3**	**100.0**	**(5.1)**	**10,992.1**	**100.0**	**9.2**

Notes:

(1) Translated for convenience only, at the exchange rate in effect as of December 31, 2009 of R$1.7412 per U.S.$1.00 as reported by the Central Bank.

(2) Of total assets (or total liabilities).

Consolidated Statements of Income

	For the Year Ended December 31,								
	2009	2009	% total(2)	2008	% total(2)	Variation 2009x 2008	2007	% total(2)	Variation 2008x 2007
	(in US$ million)(1)	*(in R$ million except for percentages)*							
						%			%
Loans	739.0	1,286.7	86.5	1,788.8	89.6	(28.1)	1,002.1	78.8	78.5
Working capital and discounts	507.1	883.0	59.4	1,042.8	52.2	(15.3)	564.2	44.4	84.8
Secured accounts	113.2	197.1	13.2	268.7	13.5	(26.6)	185.6	14.6	44.8
Personal consigned credit	15.4	26.9	1.8	73.8	3.7	(63.6)	143.5	11.3	(48.6)
Personal credit	3.9	6.8	0.5	13.5	0.7	(49.6)	14.6	1.1	(7.5)
Personal consigned credit-assigned operations	17.7	30.9	2.1	30.3	1.5	2.0	33.1	2.6	(8.5)
"Compror"	3.0	5.2	0.3	17.7	0.9	(70.6)	9.8	0.8	80.6
Corporate Checks	15.4	26.9	1.8	29.7	1.5	(9.4)	14.7	1.2	102.0
BNDES on-lending	0.6	1.0	0.1	3.0	0.2	(66.7)	8.3	0.7	(63.9)
Import financing	8.0	13.9	0.9	26.0	1.3	(46.5)	11.1	0.9	134.2
Export financing	64.9	113.0	7.6	145.3	7.3	(22.2)	27.4	2.2	430.3
Rural and agro-industrial financing	3.4	6.0	0.4	0.6	0.0	900.0	1.4	0.1	(57.1)
Real estate and housing	0.3	0.6	0.0	0.7	0.0	(14.3)	0.8	0.1	(12.5)
Resolution 2770 (former "Res.63")	2.8	4.9	0.3	4.9	0.2	0.0	4.3	0.3	14.0
Vendor	1.0	1.8	0.1	2.2	0.1	(18.2)	0.5	0.0	340.0
Other loans and financing	9.2	16.1	1.1	8.5	0.4	89.4	13.4	1.1	(36.6)
Recovery of loans written off as losses	21.7	37.8	2.5	25.9	1.3	45.9	21.5	1.7	20.5
Expenses with assigned operations	(3.7)	(6.5)	(0.4)	(2.4)	(0.1)	170.8	0.0	0.0	100.0
Exchange variations on loans in foreign currency	(45.2)	(78.7)	(5.3)	97.7	4.9	(180.6)	(52.1)	(4.1)	(287.5)
Leases	18.8	32.8	2.2	12.7	0.6	158.3	2.8	0.2	353.6
Securities	96.4	167.8	11.3	167.5	8.4	0.2	249.5	19.6	(32.9)
Income from compulsory investments	0.2	0.3	0.0	26.8	1.3	(98.9)	16.5	1.3	62.4
Financial operations income	**854.4**	**1,487.6**	**100.0**	**1,995.8**	**100.0**	**(25.5)**	**1,270.9**	**100.0**	**57.0**
Deposits, money market and interbank funds	(199.7)	(347.7)	(23.4)	(915.7)	(45.9)	(62.0)	(451.5)	(35.5)	102.8
Savings deposits	(0.4)	(0.8)	(0.1)	(2.9)	(0.1)	(72.4)	(2.3)	(0.2)	26.1
Foreign securities	(46.8)	(81.4)	(5.5)	(102.1)	(5.1)	(20.3)	(75.7)	(6.0)	34.9
Interbank deposits	(16.2)	(28.2)	(1.9)	(31.7)	(1.6)	(11.0)	(18.4)	(1.4)	72.3
Time deposits	(211.7)	(368.6)	(24.8)	(566.0)	(28.4)	(34.9)	(328.9)	(25.9)	72.1
Repurchase operations	(1.7)	(3.0)	(0.2)	(29.8)	(1.5)	(89.9)	(143.0)	(11.3)	(79.2)
Expenses with Debentures	(6.1)	(10.7)	(0.7)	(6.6)	(0.3)	62.1	(3.2)	(0.3)	106.3
Other	(4.1)	(7.2)	(0.5)	(7.3)	(0.4)	(1.4)	(4.5)	(0.4)	62.2
Exchange variations	87.4	152.2	10.2	(169.3)	(8.5)	(189.9)	124.7	9.8	(235.8)
Borrowings and on-lendings	195.1	339.7	22.8	(574.1)	(28.8)	(159.2)	174.1	13.7	(429.8)
Derivative financial instruments	(190.0)	(330.8)	(22.2)	122.2	6.1	(370.7)	(179.5)	(14.1)	(168.1)
Foreign exchange transactions	(86.6)	(150.9)	(10.1)	405.2	20.3	(137.2)	(122.9)	(9.7)	(429.7)
Provision for loan losses	(133.1)	(231.8)	(15.6)	(277.3)	(13.9)	(16.4)	(138.7)	(10.9)	99.9
Financial operations expenses	**(414.3)**	**(721.5)**	**(48.5)**	**(1239.7)**	**(62.1)**	**(41.8)**	**(718.5)**	**(56.5)**	**72.5**
Gross profit from financial operations	**440.0**	**766.1**	**51.5**	**756.3**	**37.9**	**1.3**	**552.5**	**43.5**	**36.9**
Income from services rendered	7.0	12.1	0.8	10.3	0.5	17.5	4.6	0.4	123.9
Fees from banking services	20.6	35.9	2.4	43.5	2.2	(17.5)	38.3	3.0	13.6
Personnel expenses	(75.3)	(131.2)	(8.8)	(137.7)	(6.9)	(4.7)	(110.7)	(8.7)	24.4
Taxes	(37.2)	(64.8)	(4.4)	(58.7)	(2.9)	10.4	(43.1)	(3.4)	36.2
Other administrative expenses	(65.3)	(113.7)	(7.6)	(116.5)	(5.8)	(2.4)	(109.6)	(8.6)	6.3
Other operating income	62.6	109.0	7.3	12.2	0.6	793.4	14.6	1.1	(16.4)
Other operating expenses	(79.0)	(137.5)	(9.2)	(112.6)	(5.6)	22.1	(73.6)	(5.8)	53.0
Other operating income (expenses)	**(166.6)**	**(290.0)**	**(19.5)**	**(359.4)**	**(18.0)**	**(19.3)**	**(279.4)**	**(22.0)**	**28.6**
Operating result	**273.4**	**476.1**	**32.0**	**396.9**	**19.9**	**20.0**	**273.1**	**21.5**	**45.3**
Non operating result	**2.4**	**4.2**	**0.3**	**1.0**	**0.1**	**320.0**	**0.3**	**0.0**	**233.3**
Income before taxes	**275.8**	**480.3**	**32.3**	**397.9**	**19.9**	**20.7**	**273.4**	**21.5**	**45.5**
Income tax	(52.6)	(91.5)	(6.2)	(141.9)	(7.1)	(35.5)	(88.8)	(7.0)	59.8
Social contribution	(27.8)	(48.4)	(3.3)	(70.1)	(3.5)	(31.0)	(27.1)	(2.1)	158.7

Consolidated Statements of Income	**For the Year Ended December 31,**								
	2009	**2009**	**% total(2)**	**2008**	**% total(2)**	**Variation 2009x 2008**	**2007**	**% total(2)**	**Variation 2008x 2007**
	(in US$ million)(1)	*(in R$ million except for percentages)*							
						%			%
Tax credit	8.1	14.1	0.9	164.1	8.2	(91.4)	45.7	3.6	259.1
Statutory profit sharing	(20.8)	(36.3)	(2.4)	(29.4)	(1.5)	23.5	(21.3)	(1.7)	38.0
Net income	**182.7**	**318.2**	**21.4**	**320.5**	**16.1**	**(0.7)**	**181.9**	**14.3**	**76.2**
Number of shares paid-in (thousand)	**—**	**260,466**	**—**	**268,957**	**—**	**—**	**278,185**	**—**	**—**
Net income per share	**—**	**1.23**	**—**	**1.21**	**—**	**—**	**0.65**	**—**	**—**

Notes:

(1) Translated for convenience only, at the exchange rate in effect as of December 31, 2009 of R$1.7412 per U.S.$1.00 as reported by the Central Bank.

(2) On “Financial operations income.”

Selected Ratios

	As of and for the Year Ended December 31,	
	2009	2008
	%	
Profitability and performance		
Net interest margin[(1)]	10.6	10.1
Return on average total assets[(2)]	2.7	2.8
Return on average shareholders' equity[(3)]	18.4	19.7
Capital adequacy		
Average shareholders' equity as a percentage of average total assets	15.3	13.0
Capital adequacy ratio[(4)]	16.0	19.3
Asset quality		
Non-performing loans and lease operations[(5)] as a percentage of total loans and lease operations[(6)]	1.3	0.7
Non-performing loans and lease operations as a percentage of total assets	1.1	0.5
Allowance for loan losses[(7)] as a percentage of non-performing loans and lease operations	349.8	572.4
Allowance for loan losses as a percentage of total loans and lease operations	4.6	3.9
Non-performing loans and lease operations as a percentage of shareholders' equity	6.8	3.2
Portfolios D through H credit risk[(8)] as a percentage of total loans and lease operations	8.3	4.7
Efficiency		
Efficiency ratio[(9)]	38.0	38.6
Liquidity		
Deposits[(10)] as a percentage of total assets	51.0	37.0
Total loans and lease operations after allowance for loan losses as a percentage of total assets	76.3	64.6
Total loans and lease operations after allowance for loan losses as a percentage of total funding[(11)]	100.5	87.8

Notes:

(1) Gross profit from financial operations before provision for credit losses as a percentage of average interest-earning assets. Interest-earning assets are assets generating income from financial operations. Specifically interest earning assets for the purposes of this offering memorandum include "advances on foreign exchange contracts."

(2) Net income as a percentage of average total assets, which is the average for the period.

(3) Net income as a percentage of average shareholders' equity calculated as the average for the period.

(4) Shareholders' equity as a percentage of risk-weighted assets according to the Brazilian Central Bank's resolutions on capital adequacy.

(5) Non-performing loans and lease operations consist of loans and lease operations rated H according to Brazilian Central Bank's resolutions. See "Brazilian Banking System and Industry Regulation—Classification of credit and allowance for loan losses."

(6) Total loans and lease operations consist of loans and lease operations before allowance for loan losses.

(7) "Allowance for loan losses" includes the accounts "Allowance for loan losses" and "Allowance for lease losses" as shown in the Bank's consolidated financial statements as of and for the year ended December 31, 2009.

(8) Portfolios D through H credit risk according to Brazilian Central Bank's resolutions. See "Brazilian Banking System and Industry Regulation —Classification of credit and allowance for loan losses."

(9) Efficiency ratio is defined as the sum of "personnel expenses," "other administrative expenses" and "taxes" divided by the sum of gross profit from financial operations plus "service fee income."

(10) Deposits consist of demand deposits, savings deposits, interbank deposits and time deposits.

(11) Total funding consists of demand deposits, savings deposits, interbank deposits, time deposits, borrowings and on-lendings and securities issued abroad. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Position—Sources of Funding"

SELECTED STATISTICAL INFORMATION

The information below has been included for analytical purposes only and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Bank's consolidated financial statements and related notes thereto included elsewhere in this offering memorandum. The financial information included in this section derives from the accounting records of the Bank maintained by its significant operating units.

The average balances (taken from the Bank's consolidated financial statements) are calculated based upon the average of the sum of balances for the years 2009, 2008 and 2007, on 13 dates: at December 31 of the previous year and at the end of each of the 12 subsequent months.

In this offering memorandum, the Bank has used information relating to volume and average annual balances included in this offering memorandum as calculated based upon the average of the sum of balances for the years 2008 and 2007, on 13 dates: at December 31 of the previous year and at the end of each of the 12 subsequent months. Average yield/rate data has been calculated based on income and expenses for the period, divided by the average balances computed as mentioned above. Interest income and expense include interest and, if contractually provided for: (i) foreign exchange gains and losses on the Bank's interest-earning assets and interest-bearing liabilities denominated in foreign currencies; (ii) gains and losses in the Bank's securities portfolio and in derivative instruments; and (iii) credit recovery.

Certain amounts and percentages included in this offering memorandum have been rounded. The totals presented in certain tables may not represent an arithmetical aggregation of the amounts that precede them.

The Bank believes that the balances herein properly reflect, in all material respects, its financial condition and operating results on the dates and for the periods indicated.

Average Balances of the Balance Sheet and Other Financial Information

The table below sets forth the average balances of the Bank's assets, liabilities and shareholders' equity, which have been calculated as described above:

	Year ended December 31,		
	2009	**2008**	**2007**
	(In R$ millions, except for percentages)		
Average Balances			
Average balance of total assets	11,264.8	12,489.3	9,555.9
Average balance of revenue-generating assets(1)	8,895.5	10,251.8	9,131.5
Average balance of expense-generating liabilities(2)	6,995.3	8,323.9	7,979.4
Average balance of shareholders' equity	1,728.8	1,626.3	972.0
Profitability and Efficiency			
Net interest margin (NIM)(3)	10.6%	9.8%	8.3%
Return on average balance of revenue-generating assets - ROAA(4)	2.7%	2.8%	2.1%
Financial operations income to average revenue-generating assets(5)	19.0%	17.8%	13.9%
Interest expense on expense-generating liabilities(6)	23.0%	20.9%	3.5%
Return on average shareholders' equity - ROAE(7)	18.4%	19.7%	18.7%
Efficiency ratio(8)	38.0%	38.6%	44.2%

Notes:

(1) Revenue generating assets are assets that generate revenue from financial operations. Especially for purposes of preparation of this offering memorandum, revenue generating assets include "advances on exchange contracts."

(2) Expense generating liabilities are liabilities that generate expenses from financial operations.

(3) Gross profit from financial operations before the allowance for loan losses as a percentage of the average balance of revenue generating assets. Revenue generating assets are described in note (1) above.

(4) Net income as a percentage of average revenue generating assets. See note (1) above.

(5) Financial operations income as a percentage of average revenue generating assets. See note (1) above.

(6) Financial expenses before the allowance for loan losses as a percentage of the balance of expense generating liabilities. See note (2) above.

(7) Net income as a percentage of average shareholders' equity.
(8) Efficiency ratio is defined as the sum of "personnel expenses," "other administrative expenses" and "taxes" divided by the sum of gross profit from financial operations plus "service fee income."

Average Balances and Revenue-Generating Assets and Expense-Generating Liabilities

The gross profits from financing transactions prior to the recording of allowance for loan losses were R$998.0 million in December 31, 2009 compared to R$1,033.6 million in December 31, 2008, with a variation of (3.4)% (R$35.6 million) resulting from the difference of the variation between revenue-generating assets (R$1,249.1 million) and expenses incurred (R$251.1 million) as shown in the table below.

	Year ended December 31,					
	2009			2008		
	Average balance	Income (expense)	Average rate (%)[1]	Average balance	Income (expense)	Average rate (%)[1]
	(In R$ millions, except for percentages)					
Revenue-generating assets						
Loans[2]	6,153.4	1,286.7	20.9%	7,460.1	1,788.8	24.0%
Leasing operations	141.6	32.8	23.2%	57.1	12.7	22.3%
Marketable securities trans.deriv. financial instruments[3]	1,751.7	(163.0)	(9.3)%	1,661.1	289.7	17.4%
Foreign exchange transactions	769.8	92.3	12.0%	728.8	76.3	10.5%
Mandatory investments	79.1	0.3	0.4%	344.8	26.8	7.8%
Total revenue-generating assets	**8,895.5**	**1249.1**	**14.0%**	**10,251.8**	**2,194.3**	**21.4%**
Expense-generating liabilities						
Funding operations						
Time deposits	3,848.0	(375.8)	(9.8)%	4,647.87	(573.2)	(12.3)%
Securities sold under repurchase agreements	21.1	(3)	(14.2)%	312.85	(29.8)	(9.5)%
Savings deposits	24.0	(0.8)	(3.3)%	178.95	(2.9)	(1.6)%
Interbank deposits	298.4	(28.2)	(9.5)%	244.93	(31.7)	(12.9)%
Funds from acceptance and issuance of securities	851.8	(92.1)	(10.8)%	818.12	(108.7)	(13.3)%
Total funding	**5,043.4**	**(499.9)**	**(9.9)%**	**6,202.7**	**(746.3)**	**(13.3)%**
Loans and on-lending						
Foreign loans	1,925.2	249.5	13.0%	2,085.3	(412.1)	(19.8)%
Domestic on-lending	7.4	(0.7)	(9.4)%	26.1	(2.3)	(8.8)%
Total loans and on-lending	**1,932.6**	**248.8**	**12.9%**	**2,111.4**	**(414.4)**	**(19.6)%**
Total expense-generating liabilities	**6,995.30**	**(251.1)**	**(3.6)%**	**8,323.9**	**(1,160.7)**	**(13.9)%**
Gross profit from financial operations (before provisions)		**998.0**			**1,033.6**	

Notes:

(1) Average rates include interest income or expenses. capital gains or losses and mark to market of marketable securities. assets and liabilities.
(2) Average balances refer to loans and other receivables included as part of the Bank's credit portfolio. and profit includes financial income from both loans and other receivables.
(3) Average balance refers to transactions involving marketable securities and derivative financial instruments and interbank deposits.
(4) In order to better reflect their effects on average rates of income and expenses generated. the amounts regarding foreign exchange variations of R$(243.2) million in the year ended December 31. 2009 and R$328.9 million in the year ended December 31. 2008 have been reallocated among foreign exchange earnings and losses and expenses on foreign loans.

The gross profits from financing transactions prior to the recording of allowance for loan losses were R$1,033.6 million in December 2008 compared to R$691.2 million in December 2007. with a variation of 49.5% (R$342.4 million) resulting from the difference of variation between revenue-generating assets (R$2,194.3 million) and expenses incurred (R$1,160.7 million) as shown in the table below.

	Year ended December 31.					
	2008			2007		
	Average balance	Income (expense)	Average rate (%)(1)	Average balance	Income (expense)	Average rate (%)(1)
	(In R$ millions. except for percentages)					
Revenue-generating assets						
Loans(2)	7,460.1	1,788.8	24.0%	4,739.6	1,002.10	21.1
Leasing operations	57.1	12.7	22.3%	272.9	2.8	1
Marketable securities transactions and derivative financial instruments(3)	1,661.1	289.7	17.4%	2,215.3	70.1	3.2
Foreign exchange transactions	728.8	76.3	10.5%	862.6	67.1	7.8
Mandatory investments	344.8	26.8	7.8%	227.3	16.5	7.3
Total revenue-generating assets	**10,251.8**	**2,194.3**	**21.4%**	**8,317.7**	**1,158.6**	**13.9**
Expense-generating liabilities						
Funding operations						
Time deposits	4,647.87	(573.2)	(12.3)%	2,953.6	(333.5)	(11.2)
Money market funding	312.85	(29.8)	(9.5)%	1,443.0	(143)	(9.9)
Savings deposits	178.95	(2.9)	(1.6)%	161.9	(2.3)	(1.4)
Interbank deposits	244.93	(31.7)	(12.9)%	152.8	(18.4)	(12.1)
Funds from acceptance and issuance of securities	818.12	(108.7)	(13.3)%	538.1	(3.2)	(0.6)
Total funding	**6,202.7**	**(746.3)**	**(13.3)%**	**5,249.4**	**(500.4)**	**(9.5)**
Loans and on-lending						
Foreign loans(4)	2,085.3	(412.1)	(19.8)%	1,398.0	39.7	2.8
Domestic on-lending	26.1	(2.3)	(8.8)%	83.8	(6.5)	(7.8)
Total loans and on-lending	**2,111.4**	**(414.4)**	**(19.6)%**	**1,481.8**	**33.2**	**2.2**
Total expense-generating liabilities	**8,323.9**	**(1,160.7)**	**(13.9)%**	**6,731.3**	**(467.3)**	**(6.9)**
Gross profit from financial operations (before provisions)		**1,033.6**			**691.2**	

Notes:

(1) Average rates include interest income or expenses. capital gains or losses and mark to market of marketable securities. assets and liabilities.

(2) Average balances refer to loans and other receivables included as part of the Bank's credit portfolio. and profit includes financial income from both loans and other receivables.

(3) Average balance refers to transactions involving marketable securities and derivative financial instruments and interbank deposits.

(4) In order to better reflect their effects on average rates of income and expenses generated. the amounts regarding foreign exchange variations of R$328.9 million in December 31. 2008 and R$189.9 million in December 31. 2007 have been reallocated among foreign exchange earnings and losses and expenses on foreign borrowings.

Variations on Interest Revenue and Expenses—Analysis of Volume and Rates

The tables below set forth the variations of the Bank's consolidated revenues in view of the fluctuations of volumes and interest rates, for the periods indicated. The fluctuations of volumes and interest rates were calculated based on (i) changes in average balances in the period and (ii) changes in nominal interest rates on revenue-generating assets and expense-generating liabilities. The net variation results from the sum of these variations of volume and interest rate:

	December 31, 2008 / 2007 Increase (decrease) due to changes in:		
	Average Volume	Average Rate	Net Variation
		(In R$ millions)	
Revenue-generating assets			
Loans(1)	652.3	134.4	786.7
Leasing operations(2)	(48.2)	58.0	9.9
Marketable securities transactions and derivative financial instruments	(96.7)	316.3	219.6
Foreign exchange transactions	(14.0)	23.2	9.2
Mandatory investments	9.1	1.1	10.3
Total revenue-generating assets	**502.8**	**533.0**	**1,035.8**
Expense-generating liabilities			
Time deposits	(209.0)	(30.8)	(239.7)
Money-market funding	107.5	5.6	113.2
Savings deposits	(0.3)	(0.3)	(0.6)
Interbank deposits	(11.9)	(1.4)	(13.3)

	December 31, 2008 / 2007 Increase (decrease) due to changes in:		
	Average Volume	Average Rate	Net Variation
		(In R$ millions)	
Funds from acceptance and issuance of securities	(37.2)	(68.2)	(105.5)
Total funding operations	**(150.7)**	**(95.2)**	**(245.9)**
Foreign loans	(135.8)	(315.9)	(451.8)
Domestic on-lending	5.1	(0.8)	4.2
Total loans and on-lending	**(130.7)**	**(316.8)**	**(447.5)**
Total expense-generating liabilities	**(281.9)**	**(411.4)**	**(693.6)**

Notes:

(1) Loans and other receivables included as part of the Bank's credit portfolio.
(2) Leasing operations as defined for the calculation of the Bank's total credit portfolio.

	December 31, 2009 / 2008 Increase (decrease) due to changes in:		
	Average Volume	Average rate	Net variation
		(In R$ millions)	
Revenue-generating assets			
Loans(1)	(273.2)	(228.9)	(502.1)
Leasing operations(2)	19.6	0.5	20.1
Marketable securities transactions and derivative financial instruments	(8.4)	(444.3)	(452.7)
Foreign exchange transactions	4.9	11.1	16.0
Mandatory investments	(1.0)	(25.5)	(26.5)
Total revenue-generating assets	**(258.2)**	**(687.0)**	**(945.2)**
Expense-generating liabilities			
Time deposits	78.1	119.3	197.4
Money-market funding	41.5	(14.7)	26.8
Savings deposits	5.2	(3.1)	2.1
Interbank deposits	(5.1)	8.6	3.5
Funds from acceptance and issuance of securities	(3.6)	20.2	16.6
Total funding operations	**116.0**	**130.4**	**246.4**
Foreign loans	(20.8)	682.4	661.6
Domestic on-lending	1.8	(0.2)	1.6
Total loans and on-lending	**(19.0)**	**682.2**	**663.2**
Total expense-generating liabilities	**97.0**	**812.6**	**909,6**

Notes:

(1) Loans and other receivables included as part of the Bank's credit portfolio.
(2) Leasing operations as defined for the calculation of the Bank's total credit portfolio.

Revenue-generating assets

Comparing the years ended December 31, 2008 and 2007, the revenues generated by the average volume variation on assets were R$502.8 million. In the same period, the applicable rates caused a R$533.0 million decrease in the Bank's revenues, which resulted in a net variation of R$1,035.8 million. This is a result of the Bank's efforts in increasing its credit portfolio in order to offset the effect of the reduction of interest rates applicable to such period.

Comparing the years ended December 31, 2009 and 2008, the revenues generated by the average volume variation on assets were R$(258.2) million. In the same period, the applicable rates caused a R$687.0 million decrease in the Bank's revenues, which resulted in a net variation of R$(945.2) million. This is a result of the effects of the financial crisis which caused a reduction in the Bank's credit portfolio and interest income under securities.

Expense-generating liabilities

Comparing the years ended December 31, 2008 and 2007, expenses generated by the average volume variation on funds the Bank raised were R$281.9 million. In the same period, the applicable rates generated expenses in the amount of R$411.7 million, which resulted in a net decrease of R$693.6 million. This decrease was due to the successful management of the rising costs of CDBs and an increase in the issuance of notes abroad, which has benefited from the appreciation of the *real* against the U.S. dollar.

Comparing the years ended December 31, 2009 and 2008, expenses generated by the average volume variation on funds the Bank raised were R$97.0 million. In the same period, the applicable rates generated expenses in the amount of R$812.6 million, which resulted in a net increase of R$909.6 million. This increase was due to a successful management of the rising costs of CDB's and an increase in the issuance of notes abroad, which has benefited from the appreciation of the *real* against the U.S. dollar.

Balance Sheet by Maturity

As part of its management of assets and liabilities, the Bank seeks to reduce the adverse impact of interest rate fluctuation through the selective matching of assets and liabilities. The tables below set forth the maturities of the Bank's balance sheet as of December 31, 2008 and as of December 31, 2009, respectively.

	As of December 31, 2008			
	Up to 90 days	**From 91 days to 360 days**	**Above 360 days**	**Total**
Assets				
Cash and cash equivalents	200.2	—	—	200.2
Interbank funds applied	1,626.5	13.1	42.3	1,681.9
Securities and derivative financial instruments	399.5	46.8	219	665.5
Interbank accounts	118.4	—	—	118.4
Loans	3,496.9	2,323.7	1,497.4	7,318.0
Allowance for loans losses[1]	(148.0)	(60.2)	(56.6)	(264.8)
Lease operations	12.3	33.8	69.8	115.8
Allowance for doubtful lease receivables[2]	(0.2)	(0.7)	(1.4)	(2.3)
Other receivables	1,141.0	464.2	450.5	2,055.6
Allowance for other losses[3]	(23.4)	(19.3)	(1.0)	(43.7)
Other assets	12.6	16.6	40.6	69.8
Permanent assets	—	—	93.0	93.0
Total assets	**6,835.6**	**2,818.0**	**2,353.7**	**12,007.3**
Liabilities				
Demand deposits	114.1	—	—	114.1
Savings deposit	175.6	—	—	175.6
Interbank deposits	219.9	106.6	11.6	338.0
Time deposits	1,002.1	867.2	1,947.0	3,816.3
Money market repurchase commitments [4]	`19.7	—	—	19.7
Debt securities	45.9	7.5	104.6	158.1
Interbank accounts	0.1	426.4	538.0	964.5
Interbranch accounts	26.7	—	—	26.7
Foreign currency on-lendings	973.0	1,022.8	770.8	2,766.6
On-lendings	8.7	—	0.7	9.4
Derivative financial instruments	7.5	20.0	24.8	52.3
Other liabilities	972.0	84.8	818.6	1,875.9
Total liabilities	**3,565.8**	**2,535.3**	**4,216.0**	**10,317.1**
Deferred income	5.1	—	—	5.1
Shareholders' equity	—	—	1,685.1	1,685.1
Total liabilities and shareholders' equity	**3,571.0**	**2,535.3**	**5,901.0**	**12,007.3**
Maturity gap	**3,264.7**	**282.7**	**(3,547.3)**	—

Notes:

(1) The securities and derivative financial instruments classified as "Trading" were classified as current assets (up to 90 days) in accordance with Central Bank rules.
(2) "Allowance for loan losses" as disclosed in the Bank's balance sheets/trial balances.
(3) "Allowance for doubtful lease receivables" as disclosed in the Bank's balance sheets/trial balances.
(4) "Allowance for other losses" as disclosed in the Bank's balance sheets/trial balances.
(5) "Money market repurchase commitments" as disclosed in the Bank's balance sheets/trial balances.

	As of December 31, 2009			
	Up to 90 days	From 91 days to 360 days	Above 360 days	Total
	(In R$ thousands)			
Assets				
Cash and cash equivalents	245.3	—	—	245.3
Interbank funds applied	912.2	34.5	112.9	1,059.6
Securities and derivative financial instruments(1)	447.4	—	9.0	456.4
Interbank accounts	95.8	—	—	95.8
Loans	2,794.1	3,000.6	2,170.7	7,965.3
Allowance for loans losses(2)	(163.5)	(72.6)	(141.3)	(377.4)
Lease operations	25.3	87.9	115.7	228.9
Allowance for doubtful lease receivables(3)	(0.6)	(1.5)	(3.1)	(5.2)
Other receivables	503.1	591.6	520.7	1,615.4
Allowance for other losses(4)	(24.0)	(10.7)	(1.4)	(36.2)
Other assets	—	21.6	50.1	71.7
Permanent assets	—	—	80.0	80.0
Total assets	**4,835.1**	**3,651.2**	**2,913.4**	**11,399.7**
Liabilities				
Demand deposits	368.5	—	—	368.5
Savings deposit	11.8	—	—	11.8
Interbank deposits	285.0	210.2	17.8	513.0
Time deposits	959.4	2,842.6	1,116.2	4,918.2
Money market repurchase commitments(5)	8.4	—	—	8.4
Debt securities	101.7	373.6	133.1	608.4
Interbank accounts	0.1	—	—	0.1
Interbranch accounts	30.5	—	—	30.5
Foreign currency on-lendings	21.1	8.9	2.6	32.6
On-lendings	321.2	1,048.3	451.4	1,820.9
Derivative financial instruments	5.7	63.0	109.8	178.5
Other liabilities	475.0	46.0	612.5	1,133.5
Deferred income	**2,583.2**	**4,597.7**	**2,443.3**	**9,624.2**
Total liabilities	9.0	—	—	9.0
Shareholders' equity	—	—	1,766.4	1,766.4
Total liabilities and shareholders' equity	**2,592.2**	**4,597.7**	**4,209.7**	**11,399.7**
Maturity gap	**2,242.8**	**(946.5)**	**(1,296.3)**	—

Notes:

(1) The securities and derivative financial instruments classified as "Trading" were classified as current assets (up to 90 days) in accordance with Central Bank rules.
(2) "Allowance for loan losses" as disclosed in the Bank's balance sheets/trial balances.
(3) "Allowance for doubtful lease receivables" as disclosed in the Bank's balance sheets/trial balances.
(4) "Allowance for other losses" as disclosed in the Bank's balance sheets/trial balances.
(5) "Money market repurchase commitments" as disclosed in the Bank's balance sheets/trial balances.

Composition of the Bank's Marketable Securities and Derivative Financial Instruments Portfolio

The table below sets forth the Bank's marketable securities and derivative financial instruments portfolio for the periods indicated. Marketable securities are valued in accordance with the rules established by the Central Bank for classification of marketable securities and derivative financial instruments. The marketable securities portfolio is adjusted based on market value, as shown in the table below.

	As of December 31,					
Securities Portfolio and Derivative Financial Instruments	**2009**	**% of Total**	**2008**	**% of Total**	**2007**	**% of Total**
	(In R$ millions, except for percentages)					
Brazilian Government securities(1)	395.2	86.6	324.9	48.8	2,036.3	95.6
Other securities	52.1	11.4	44.2	6.6	72.3	3.4
Sub-total	**447.3**	**98.0**	**369.1**	**55.5**	**2,108.6**	**99.0**
Derivative Financial Instruments	9.1	2.0	296.4	44.5	22.2	1.0
Total	**456.4**	**100.0**	**665.5**	**100.0**	**2,130.8**	**100.0**

Securities Portfolio and Derivative Financial Instruments	As of December 31, 2009	% of Total	2008	% of Total	2007	% of Total
	(In R$ millions, except for percentages)					
Securities portfolio as a percentage of total assets	3.9%		3.1%		19.38%	
Brazilian Government securities as a percentage of total assets	3.5%		2.7%		18.53%	

Note:

(1) A substantial portion of the Bank's marketable securities portfolio is composed of Brazilian government securities denominated in *reais*. See "Business—Main Products and Services—Loan operations—Treasury operations."

Composition of Marketable Securities Portfolio by Type and Category

	As of December 31, 2008						
	No maturity	Up to 90 days	90 to 360 days	Over 360 days	Total book value	Accrued cost value	Market value
				(In R$ millions)			
Securities for trading							
Own portfolio							
Financial Treasury Bills	—	11.2	5.0	55.5	71.8	71.8	71.8
National Treasury Bills	—	5.0	—	—	5.0	5.0	5.0
National Treasury Notes-B	—	—	—	17.8	17.8	17.4	17.8
National Treasury Notes-C	—	—	—	—	—	—	—
National Treasury Notes-F	—	—	—	102.0	102.0	103.6	102.0
Deposit Certificates	—	6.7	—	—	6.7	6.8	6.7
Variable income portfolio	9.8	—	—	—	9.8	9.6	9.8
Subject to repurchase commitments							
Financial Treasury Bills	—	—	—	0.2	0.2	0.2	0.2
Subject to guarantees							
National Treasury Bills	—	—	—	52.4	52.4	53.2	52.4
Financial Treasury Bills			69.5	4.6	74.1	74.2	74.1
Securities held to maturity							
Own portfolio							
FIDC – Quotas	—	—	—	—	—	—	—
Eurobonds	—	—	—	25.2	25.2	28.3	25.2
Debentures	—	—	2.4	—	2.4	2.4	2.4
Total in 2008	**9.8**	**23.0**	**77.0**	**259.3**	**369.1**	**374.3**	**369.1**
Total in 2007	**31.3**	**754.4**	**207.8**	**1,115.2**	**2,108.6**	**2,119.3**	**2,108.6**

	As of December 31, 2009						
	No maturity	Up to 90 days	90 to 360 days	Over 360 days	Total book value	Accrued cost value	Market value
				(In R$ millions)			
Securities for trading							
Own portfolio							
Financial Treasury Bills	—	—	6.9	125.2	132.1	132.1	132.1
National Treasury Bills	—	—	—	34.6	34.6	34.6	34.6
National Treasury Notes – B	—	—	16.0	—	16.0	15.6	16.0
National Treasury Notes-C	—	—	—	0.0	0.0	0.0	0.0
National Treasury Notes – F	—	52.4	—	—	52.4	52.4	52.4
Debentures	—	—	—	—	—	—	—
Stocks	23.8	—	—	—	23.8	23.0	23.8
Eurobonds	—	—	—	9.6	9.6	9.6	9.6
Subject to repurchase commitments							
Financial Treasury Bills	—	—	—	14.6	14.6	14.6	14.6
Subject to guarantees (*)							
Financial Treasury Bills	—	—	10.7	47.5	58.2	58.2	58.2
National Treasury Bills	—	—	—	33.5	33.5	33.6	33.5
National Treasury Notes – B	—	—	3.3	—	3.3	3.2	3.3
Subject to Brazilian Central Bank							
Financial Treasury Bills	—	—	50.4	—	50.4	50.8	50.4
Securities held to maturity							
Own portfolio							
FIDC – Quotas	—	—	—	—	—	—	—
Eurobonds	—	—	18.8	—	18.8	18.8	18.8
Total in 2009	**23.8**	**52.4**	**106.1**	**265.0**	**447.3**	**446.5**	**447.3**
Total in 2008	**9.8**	**23.0**	**77.0**	**259.3**	**369.1**	**374.3**	**369.1**

Marketable Securities Portfolio by Currency

The table below sets forth the Bank's marketable securities portfolio by currency as of the periods indicated, excluding derivatives. The Bank's marketable securities portfolio is mostly composed of debt securities issued by the Brazilian government, but does not include derivatives.

	As of December 31,		
	2009	2008	2007
		(In R$ millions)	
Denominated in *reais*[(1)]	418.9	343.9	2,077.3
Indexed to foreign currency[(2)]	28.4	25.2	31.4
Total securities	**447.3**	**369.1**	**2,108.6**

Notes:

(1) A substantial portion of the Bank's marketable securities portfolio is composed of Brazilian government securities denominated in *reais* (R$). See "Business—Main Products and Services—Loan operations—Treasury operations."

(2) Mostly U.S. dollars.

Breakdown of the Bank's Marketable Securities by Maturity

The tables below set forth an analysis of the Bank's marketable securities and derivative financial instruments portfolio by maturity as of the periods indicated:

	As of December 31, 2009				
	No maturity	Up to 90 days	From 91 days to 365 days	Over 365 days	Total
			(In R$ millions)		
Brazilian government securities[1]	—	52.4	87.3	255.4	395.1
Trading securities	23.8	—	18.8	9.6	52.2
Total	**23.8**	**52.4**	**106.1**	**265.0**	**447.3**

Note:

(1) As of December 31, 2008, 91.4% of the Bank's marketable securities portfolio was composed of Brazilian government securities denominated in *reais*.

	As of December 31, 2008				
	No maturity	Up to 90 days	From 91 days to 365 days	Over 365 days	Total
			(In R$ millions)		
Brazilian government securities[1]	—	16.3	74.5	234.1	324.9
Trading securities	9.8	6.7	2.5	25.2	44.2
Total	**9.8**	**23.0**	**77.0**	**259.3**	**369.1**

Note:

(1) As of December 31, 2007, 96.5% of the Bank's marketable securities portfolio was composed of Brazilian government securities denominated in *reais*.

Central Bank Mandatory Deposits

The Bank is required to maintain mandatory deposits with the Central Bank. The table below sets forth the amounts of these deposits on the dates indicated:

	As of December 31,					
	2009	% of Total	2008	% of Total	2007	% of Total
	(In R$ millions, except for percentages)					
Non-interest bearing deposits	50.4	34.5	—	—	353.7	57.2
Interest bearing deposits[1]	95.8	65.5	118.3	100.0	265.1	42.8
Total mandatory deposits	**146.2**	**100.0**	**118.3**	**100.0**	**618.8**	**100.0**

Note:

(1) Brazilian government securities.

Credit Portfolio

The table below sets forth the Bank's credit portfolio by category of economic activity of the borrowers in the periods indicated:

	Fiscal year ended December 31,			
Credit Portfolio	2009		2008	
By category of economic activity	*(In R$ million)*	*% Total*	*(In R$ million)*	*% Total*
Public sector	**238.2**	**2.6**	**273.8**	**3.4**
Federal Government	2.0	0.0	44.5	0.6
State Government	235.3	2.6	217.7	2.7
Municipal Government	0.9	0.0	11.6	0.1
Private sector				
Industry	**4,171.3**	**45.7**	**3,930.9**	**48.7**
Earthworks and construction	1,086.4	11.9	789.3	9.8
Sugar and alcohol refinery	782.7	8.6	875.9	10.9
Production of flour, pasta, cakes and biscuits	324.6	3.6	296.5	3.7
Other segments of the "industrial sector"	1,977.6	21.7	1,969.2	24.4
Other services	**3,004.3**	**32.9**	**2,323.7**	**28.8**

Credit Portfolio	Fiscal year ended December 31,			
	2009		2008	
By category of economic activity	*(In R$ million)*	*% Total*	*(In R$ million)*	*% Total*
Medical and dental services	418.2	4.6	404.8	5.0
Passenger and cargo transportation	425.3	4.7	296.0	3.7
Holdings in general	107.9	1.2	133.1	1.7
Other segments of "other services"	2,052.9	22.5	1,489.8	18.5
Commerce	**1,114.4**	**12.2**	**811.8**	**10.1**
Trading companies	51.1	0.6	37.4	0.5
Supermarkets and wholesalers	277.7	3.0	89.7	1.1
Commerce of machinery and equipments	23.9	0.3	46.3	0.6
Vehicle dealerships and sale yards	116.0	1.3	140.6	1.7
Other segments of the "commercial sector"	645.5	7.1	497.8	6.2
Financial intermediation	**52.4**	**0.6**	**96.8**	**1.2**
Agribusiness	**156.5**	**1.7**	**141.0**	**1.7**
Individuals	**382.1**	**4.2**	**488.4**	**6.1**
Total	**9,119.2**	**100.0**	**8,066.4**	**100.0**

Note:

(1) For a description of the Bank's allowance for losses breakdown, see "Business—Main Products and Services."

The categories for the aforementioned loan portfolio are described as follows:

- Public sector: federal, state and municipal government entities.
- Private sector: entities without significant participation and/or control by the federal, state or municipal governments.
- Agribusiness: borrowers that operate in the agricultural, cattle raising and reforestation sectors.
- Industry: entities that operate in the manufacturing, mining, processing and transformation, construction and utilities sectors, among others.
- Commercial: entities that operate as intermediaries upon purchase and sale of assets, including wholesale and retail operations.
- Financial Intermediation: entities that operate as banks, brokerage firms and leasing companies.
- Other Services: entities that provide services related to air, rail and water transportation, communication, education, culture and entertainment, among others.
- Individuals: includes credit lines in secured accounts, personal loans and financing to consumers and credit cards, payroll deductible loans, among others.

Credit Concentration

The table below sets forth the concentration of the Bank's credit portfolio for the periods indicated:

	As of December 31,			
	2009[1]	**% of Total**	**2008[1]**	**% of Total**
	(In R$ millions, except for percentages)			
10 largest debtors	750.4	8.2	788.8	9.8
20 largest debtors	1,207.3	13.2	1,207.2	15.0
100 largest debtors	3,297.9	36.1	3,057.0	37.9
Total Credit Portfolio	9,119.2	100.0	8,066.4	100.0

Allowance for Loans Losses

The table below sets forth the balances of the Bank's allowance for loans losses on the dates indicated:

	As of December 31,	
	2009	2008
	(In R$ millions, except for percentages)	
Opening balance	310.9	133.2
Constitution/reversal(1)	231.8	277.3
Write-offs	(123.8)	(99.7)
Closing balance (2)	**418.8**	**310.9**
Recovered loans	37.8	25.9
Write-offs as a percentage of total credit portfolio	1.4%	1.2%
Closing balance at end of period as a percentage of total credit portfolio	4.6%	3.9%
Total Credit Portfolio	9,119.2	8,066.4

Notes:

(1) Recorded as "allowance for loan losses" in the Bank's income statements. Provisions are recognized based on the Bank's total credit portfolio.

(2) Composed substantially of allowance for losses resulting from the credit portfolio.

The table below sets forth a summary of the Bank's allowance for loan losses, together with certain indices of quality of assets for the periods indicated.

	As of December 31,	
	2009	2008
	(In R$ millions, except for percentages)	
Total assets	11,399.7	12,007.3
Total credit portfolio	9,119.2	8,066.4
Credit classified as "H" rating	119.7	54.3
Credit classified as "H" rating as a percentage of total credit portfolio	1.3%	0.7%
Credit classified as "H" rating as a percentage of total assets	1.1%	0.5%
Allowance for loans losses as a percentage of:		
Allowance for loans losses	418.8	310.9
Total loan portfolio	4.6%	3.9%
Credit classified as "H" rating	349.8%	572.4%

Foreign Exchange Portfolio Operations

The Bank is authorized by the Central Bank to operate in the foreign exchange market, in which the Bank actively participates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Operating Results—Changes in inflation rates, interest rates, exchange rates and compulsory deposits—Exchange Rates."

The table below summarizes the balances of the Bank's loan portfolio, as disclosed in its financial statements for the relevant periods, and includes the import, export, interbank (spot), arbitrage and interdepartmental operations.

	As of December 31,		
	2009	2008	2007
		(In R$ millions)	
Assets	**973.9**	**1,528.0**	**1,141.6**
Foreign exchange purchased to settle	943.9	1,268.4	1,072.7
Advances received in foreign currency	(0.4)	—	(0.3)
Bills of exchange in foreign currency	—	—	0.3
Rights from sale of foreign exchange	31.5	248.8	92.6
Advances received in local currency	(23.6)	(17.1)	(50.4)
Income receivable from advances on foreign exchange contracts	22.5	27.9	26.7
Liabilities	**135.1**	**631.9**	**314.9**
Foreign exchange sold to settle	31.3	247.6	92.4
Financed imports—contracted foreign exchange	(1.2)	(13.0)	(43.5)

	As of December 31,		
	2009	2008	2007
		(In R$ millions)	
Liabilities from foreign exchange purchases	988.2	987.4	1,144.1
Advances on foreign exchange contracts	(883.4)	(590.3)	(878.3)
Foreign currency liabilities	0.2	0.2	0.2

Both activities related to trade finance as well as those related to negotiations of the Bank's treasury are important businesses for the Bank. As of December 31, 2009, the total volume of the Bank's foreign exchange transactions related to exports reached R$1,474.6 million against R$635.1 million in connection with imports.

The table below sets forth the balances of trade finance, letters of credit for import, interbank (spot) and arbitrage operations, as of and for the periods indicated:

	As of December 31,			
	2009	% of Total	2008	% of Total
		(In R$ millions, except percentages)		
Imports	**635.1**	**30.1**	**614.0**	**29.3**
- Import Financing	374.6	17.8	581.0	27.8
- Letters of credit for import operations	260.5	12.3	32.9	1.6
Exports	**1,474.6**	**69.9**	**1,479.6**	**70.7**
- Export Financing	544.4	25.8	734.0	35.1
- Advances on foreign exchange contracts (ACC)	905.8	42.9	618.2	29.5
- Interbank and arbitrage operations	24.4	1.2	127.4	6.1
Total	**2,109.7**	**100.0**	**2,093.6**	**100.0**

The Bank's foreign exchange transactions are mostly composed of funds payable to it resulting from exchange contracts negotiated with clients. In general, the Bank's exchange contracts result from the creation of an asset (foreign currency to be delivered to the Bank at a future date) and a liability (foreign currency to be delivered by the Bank at a future date).

The result of the Bank's foreign exchange transactions, which includes basically income from export operations (advances on exchange contracts) and other operating income, such as interbank (spot) and arbitrage operations, amounted to R$92.2 million in 2009, R$76.3 million in 2008 and R$67.1 million in 2007.

Taking into consideration expenses related to variation of interest rates, the Bank's foreign exchange transactions for the year ended December 31, 2009 resulted in a loss of R$151.0 million, compared to a gain of R$405.2 million in the year ended December 31, 2008; compared to a loss of R$122.9 million in the year ended December 31, 2007, as shown in the table below:

	Year ended December 31,	
	2009	2008
	(In R$ millions)	
Income from foreign exchange operations	94.3	83.0
Expenses with foreign exchange operations	(2.1)	(6.7)
Subtotal	**92.2**	**76.3**
Foreign Exchange variations	(243.2)	328.9
Foreign exchange results	**(151.0)**	**405.2**

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Operating Results—Changes in inflation rates, interest rates, exchange rates and compulsory deposits—Exchange Rates."

Capital Ratio and Minimum Capital Requirement

On August 17, 1994, the CMN adopted Resolution No. 2,099, which created a capital measure for Brazilian financial institutions based on a ratio of assets by category of risk. The structure of this methodology is based on the Basel Accord; however, they differ in significant aspects. According to the Resolution, Brazilian financial institutions are required to maintain a minimum capital of at least 11% of total assets weighted by category of risk, assessed according to the risk rating mentioned in Attachment IV of the Resolution. See "Brazilian Banking System and Industry Regulation."

The Bank presents its stated capital ratios on a consolidated basis, including shareholders' equity of its subsidiaries of which the Bank is the majority or minority shareholder. The Bank's stated capital ratios on this consolidated basis was 16.0% as of December 31, 2009, 19.3% as of December 31, 2008 and 19.4% as of December 31, 2007, according to data shown in the table below:

	As of December 31,		
	2009[(1)]	2008[(1)]	2007[(1)]
	(In R$ millions, except percentages)		
Tier I	1,744.6	1,720.5	1,549.8
Tier II	216.4	285.7	220.3
Reference net worth	**1,961.0**	**2,006.2**	**1,770.1**
Required net worth	1,349.4	1,141.7	1,005.4
Margin on the required net worth	611.3	864.5	764.7
Basel Accord ratio	**16.0%**	**19.3%**	**19.4%**

Notes:

(1) The data presented as of December 31, 2009 and December 31, 2008 was calculated based on CMN Resolution No. 3,444, which revoked CMN Resolution No. 2,837, both issued by CMN.

Average Balance of Deposits

The table below sets forth the average balances of deposits for the periods indicated:

	As of December 31,	
	2009	2008
	(In R$ millions)	
Non-interest bearing deposits		
Demand deposits	233.7	103.4
Interest bearing deposits		
Time deposits	3,848.0	4,647.9
Savings deposits	24.0	178.9
Interbank deposits	298.4	244.9
Total (average)	4,170.4	5,071.7
Other Deposits	21.1	312.9
Total Deposits (average)	**4,425.2**	**5,488.0**

Funding Operations

The table below sets forth the Bank's funding operations for the periods indicated:

	As of December 31,			
	2009	% of Total	2008	% of Total
	(In R$ millions, except percentages)			
Demand deposits	368.5	4.4	114.1	1.4
Savings deposits	11.8	0.1	175.6	2.1
Interbank deposits	513.0	6.2	338.0	4.0
Time deposits	4,918.2	59.4	3,816.3	45.6
Money market funding	8.4	0.1	19.7	0.2
Funds from acceptance and issuance of securities	608.4	7.3	1,122.5	13.4
Interbank accounts	0.1	0.0	0.1	0.0
Loans and on-lending				
Domestic on-lending	32.6	0.4	9.4	0.1
Foreign loans and on-lending	1,820.9	22.0	2,766.6	33.1
Total	**8,281.9**	**100.0**	**8,362.3**	**100.0**

The tables below set forth details regarding the Bank's funding operations abroad:

	Issue date	Maturity	Rate (coupon)	As of December 31, 2009 Issue amount (In U.S.$ millions)	Current balance (In R$ millions)[1]	Current balance (In U.S.$ millions)
Subordinated debt	03/03/06	10 years	9.75%	120.0	216.4	124.3
Euro Medium-Term Notes Program (U.S.$1 billion)	04/23/08 and 05/19/08	2 years	7%	180.0	317.6	182.4
Total				**300.0**	**534.0**	**306.7**

	Original amount (In U.S.$ millions)	Disbursement date	Maturity	As of December 31, 2009 Current balance (In R$ millions)[2]	Current balance (In U.S.$ millions)
IADB/ IIC (A/B Loans)					
IADB – A/B Loan Trade	35.0	December 2009	1 year	61.3	35.2
IADB – A Loan	20.0	June 2007	5 years	35.2	20.2
IADB – B Loan	80.0	June 2007	3 years	140.5	80.7
IADB – B Loan	90.0	August 2009	3 years	158.2	90.9
IIC – A Loan	10.0	July 2009	2 years	13.1	7.5
Total				**408.3**	**234.5**

	Original amount (In R$ millions)	Disbursement Date	Term	As of December 31, 2009 Current balance (In R$ millions) [2]
IFC Note	82.4	March 2007	5.4 years	85.4
IFC Note	48.9	December 2009	5.3 years	49.2

	Original amount (In U.S.$ millions)	Disbursement Date	Term	As of December 31, 2009 Current balance (In R$ millions) [2]	Current balance (In U.S.$ millions)
Guarantee for trade finance operations					
IADB	40.0	June 2005	—	25.6	14.7
IFC	100.0	February 2006	—	125.1	71.9
Total				**150.7**	**86.6**

Trade Syndication	Original amount (In U.S.$ millions)	Disbursement Date	Term	As of December 31, 2009 Current balance (In R$ millions)[2]	Current balance (In U.S.$ millions)
Tranche B	45.0	March 2008	2 years	79.6	45.7

Note:

(1) Includes interest rates and taxes.
(2) Includes interest rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion about the Bank's financial condition and operating results is based on, and should be read in conjunction with, the Bank's consolidated financial statements, including the notes thereto, as of and for the fiscal years ended December 31, 2009, 2008 and 2007 included elsewhere in this offering memorandum, and the information included in "Presentation of Financial and Other Information," "Summary of the Financial Statements," "Selected Financial Data and Other Information" and "Selected Statistical Information."

This Section contains forward-looking statements involving risks and uncertainties. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, but not limited to, those identified under "Forward-Looking Statements" and "Risk Factors."

General Overview

The Bank is a Brazilian bank whose shares are publicly listed and traded on the BM&FBOVESPA. It is the leading medium-sized bank in Brazil in terms of loan portfolio and net income, according to research carried out by *Instituto Brasileiro de Economia – IBRE of Fundação Getúlio Vargas*, or FVG, in 2009; and the fifth largest privately owned Brazilian bank in terms of loan portfolio based on the asset position of Brazilian banks as of September 30, 2009, according to a Central Bank publication. The Bank's 71 years of experience in the middle market segment gives it credibility and brand recognition among clients and prospective clients. This experience and the close monitoring of its clients' activities and needs have resulted in the continued growth of the Bank's credit portfolio, with a 5.9% increase from the year ended December 31, 2007 to the year ended December 31, 2008 and a 13,1% increase from the year ended December 31, 2008 to the year ended December 31, 2009. The steep rise in the loan portfolio in the fourth quarter of 2009 facilitated the recovery in the volume of loan operations and the improvement in portfolio quality. The Bank's annual return on average shareholders' equity was 18.7% as of December 31, 2007, 19.7% as of December 31, 2008 and 18.4% as of December 31, 2009.

The Bank has a focused strategy, which is driven by the management of its operational risks and the ability to recognize business opportunities, which is reflected in the Bank's results and the quality of its services. According to the International Finance Corporation, or the IFC, the private financial arm of the World Bank, the Bank was the first Brazilian medium-sized bank to participate in its trade finance program. The Bank was also the first Brazilian medium-sized bank to participate in the Inter-American Development Bank, or the IADB, trade finance program. Similarly, the Bank has issued senior notes and subordinated debt in the international capital markets and shares which are traded on the BM&FBOVESPA.

The Bank's 36 service outlets are strategically located in the main state capitals and cities of Brazil. The Bank also has a branch in Grand Cayman, Cayman Islands to raise funds and offer private banking services to its clients. The Bank believes that the strategic location of its branches has led to a large client base and has enabled it to offer a comprehensive portfolio of products and services.

Brazilian Economic Environment

The Bank's operations are in Brazil where the government exerts a strong influence over the economy by means of changes in policies and regulations. The Brazilian government's policies to curb inflation and implement other regulations and policies include, among others, changes in interest rates, changes in tax policies, price controls, and devaluation of the currency, capital control, import restrictions and the blocking of accounts. These measures may undermine the confidence and disposable income of consumers, and may adversely affect foreign business and investments. These factors may affect the Bank's activities, financial condition and operating results in any fiscal year.

In 2007, the rate of economic growth and monetary stability in Brazil increased. During this period, Brazil's international reserves reached US$180.3 billion. Economic growth accelerated, supported by further reductions in the SELIC rate, which on December 31, 2007 was 11.25% and an increase in credit availability. In 2007, the Brazilian trade surplus was US$40 billion. According to IBGE, the average unemployment rate decreased from 8.4% as of December 31, 2006 to 7.4% as of December 31, 2007 in the main metropolitan regions of Brazil.

Inflation, as measured by the IPCA, closed the year ended December 31, 2007 at 4.5% and the average TJLP interest rate was 6.37% for the same period.

In 2008, the Brazilian economy was affected by the international financial crisis. As a result, there was an outflow of foreign capital leading to a 31.9% depreciation of the *real* against the U.S. dollar. Brazil's GDP growth slowed in comparison with 2007, mostly as a result of the negative results of the final quarter of 2008. During the period, the Central Bank reversed the downward cycle of the SELIC rate, which was at 13.75% as of December 31, 2008, as compared to 11.25% as of December 31, 2007. In 2008, inflation, as measured by the IPCA, rose in comparison to 2007, and closed the year ended December 31, 2007 at 5.9%, as compared to 4.5% in 2007. According to IBGE, the average unemployment rate in the main metropolitan regions decreased in 2008 to 6.8% as of December 31, 2008 from 7.4% as of December 31, 2007.

While liquidity in the banking industry was to some extent affected by the global financial crisis, the Central Bank provided sufficient liquidity to the Brazilian market throughout 2008. Moreover, in the final quarter of 2008, in response to the global financial crisis, measures were promulgated by the Brazilian federal government in order to increase the involvement of the Brazilian public sector in the Brazilian financial system. For example, the CMN amended the by-laws of the Credit Guaranty Fund (*Fundo Garantidor de Créditos*), or FGC, so that it can invest up to 50% of its net worth in: (1) the acquisition of credit rights of financial institutions and leasing companies, (2) banking deposits with or without issuance of certificates, leasing bills (*letra de arrendamento mercantil*) and bills of exchange accepted by affiliated institutions, secured by: (a) credit rights constituted or to be constituted from respective transactions or (b) other credit rights with an *in rem* or a personal guarantee; and (3) linked transactions (*operações vinculadas*). The FGC may sell any assets acquired in transactions described in items (1), (2) and (3) of this paragraph. In March 2009, the FGC increased the guaranty (*Depósito a Prazo com Garantia Especial*) for deposits in small- and medium-sized banks from R$60,000 to $20 million. In order to take advantage of this increased guaranty, a deposit must: (1) have a minimum term of six months (later increased to one year) and a maximum term of 60 months; (2) not be callable before its term unless the deposit agreement was entered into before May 28, 2009; and (3) be limited to twice the bank's reference net worth calculated as of December 31, 2008 or the sum of the balance of the bank's all time deposits with the balance of the bank's liabilities in connection with bills of exchange on June 30, 2008, whichever is higher, limited to R$5 billion. The CMN and the Central Bank also enacted measures to provide the Brazilian financial system with greater liquidity by altering the level of bank reserves and compulsory deposits that financial institutions in Brazil were required to maintain and deposit with the Central Bank and to oblige larger Brazilian financial institutions to provide small Brazilian financial institutions, including the Bank, with funding.

The *real* experienced significant appreciation in 2006 and 2007. The R$U.S.$ exchange rate was R$2.1380 per U.S.$1.00 on December 2006 and decreased to R$1.7713 per U.S.$1.00 on December 31, 2007. However, the *real* depreciated from R$1.5919 per U.S.$1.00 on June 30, 2008 to R$2.3370 per U.S.$1.00 on December 31, 2008 and then appreciated again in 2009 to reach R$1.7412 per U.S.$1.00 on December 31, 2009.

The table below sets forth Brazil's GDP, inflation rates, interest rates and foreign exchange rates for the U.S. dollar for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
		(in percentages)	
GDP growth[1]	(0.2)%	5.1%	5.4%
Inflation (IGP-M)[2]	(1.7)%	9.8%	7.8%
Inflation (IPCA)[3]	4.3	5.9%	4.3%
CDI[4]	8.6%	13.6%	11.1%
TJLP[5]	6.0%	6.3%	6.3%
Appreciation (depreciation) of the *real* against the U.S. dollar	25.5%	(32.2)%	17.3%
Exchange rate at closing (R$ to U.S.$1.00)	R$1.74	R$2.34	R$2.14
Average exchange rate – (R$ to U.S.$1.00)[6]	R$1.99	R$1.80	R$1.95

Sources: Fundação Getúlio Vargas, IpeaData, *Central Bank and Bloomberg*

Notes:

(1) Cumulative GDP during the period, as measured by the IBGE.

(2) IGP-M, as measured by the *Fundação Getúlio Vargas*.

(3) IPCA, as measured by the IBGE.

(4) The CDI rate is the average of the rate for interbank deposits made during the day in Brazil (accumulated for the month of the end of the period, annualized).

(5) The SELIC rate is periodically set by the COPOM.

(6) Represents the average of the exchange rates on the last day of each month during the relevant periods.

Factors Affecting Financial Condition and Operating Results

The Bank's operating results for the years ended December 31, 2009, 2008 and 2007 were affected by the Brazilian economic environment, and the implementation of the Bank's strategy, such as the significant growth in the size of its credit portfolio.

Changes in inflation rates, interest rates, exchange rates and compulsory deposits

As virtually all of the Bank's operations are carried out in or are related to Brazil, the Bank is significantly affected by political, economic and social conditions in Brazil. In particular, the Bank's financial performance has been affected by fluctuations in inflation rates, interest rates, the R$/U.S.$ exchange rate, GDP growth rates and specific regulations of the Central Bank and the CMN.

Inflation

Historically, inflation rates in Brazil have been extremely volatile. Through 2009, inflation rates have fluctuated less and declined consistently since 2003. The decline in inflation rates was largely a result of the Brazilian government's monetary policy, including periodic changes in interest rates and the appreciation of the *real* against the U.S. dollar during the period. Low levels of inflation have contributed to the reduction in economic uncertainty in Brazil and volatility in the Brazilian securities markets. However, a number of factors, such as the rise in global food prices and increases in the price of oil and other industrial commodities, led average inflation, as measured by the IPCA, to reach 4.5% for 2007 and 5.9% for 2008. As a consequence of lower consumption and the global financial crisis, inflation as measured by the IPCA decreased in 2009, closing the year ended December 31, 2009 at 4.31% versus 5.9% in the year ended December 31, 2008.

Interest rates

In order to control inflation, the Brazilian government has introduced a number of policies to restrict credit and reduce consumption. One of the main policies to control inflation was raising interest rates. During 2004, the Central Bank increased the SELIC and, by the end of the year, the rate had reached 17.75%. In 2005, due to the efforts made to reach the inflation target, the Central Bank maintained interest rates at higher levels, and increased the SELIC rate to 19.75% in May 2005, which contributed to the slowdown of the economy. As of November 2005, in order to foster the recovery of economic growth, while controlling inflation, the Central Bank gradually reduced the basic interest rate, which was 18.0% per annum by the end of the year. During 2006, the Central Bank maintained this strategy of reduction on an accelerated basis and, by December 2006, the basic interest rate reached 13.25% per annum. On December 31, 2007, the basic interest rate equaled 11.25%. The Central Bank increased the interest rate through 2008 and on December 31, 2008, the basic interest rate equaled 13.75%. However, in response to the global financial crisis the Central Bank initiated an aggressive sequence of cuts in the basic interest rate, which was 8.75% as of December 31, 2009.

The following table sets forth the low, high, average and period-ended SELIC rate, as reported by the Central Bank, between 2005 and December 31, 2009.

Year	Low	High	Average	Period-End
2005	18.00%	19.75%	19.15%	18.00%
2006	13.25%	18.00%	15.30%	13.25%
2007	11.25%	13.25%	12.25%	11.25%
2008	11.15%	13.75%	12.96%	13.75%
December 31, 2009	10.13%	13.75%	10.21%	8.75%

As a Brazilian banking institution, the Bank's financial income and operating expenses may be and will be affected by fluctuations in interest rates, which may affect the cost of its funding in *reais*, credit demand and default level, as well as its income from its credit portfolio and margins. However, the effect of such variations, which occur in a macroeconomic context and may affect both the offer of, and demand for, credit, has been efficiently managed by the Central Bank, which has maintained a consistent policy towards the management of interest rates and inflation. Within this framework, the Bank also has efficiently managed its credit funding needs and investment portfolios and it has not recorded any material adverse effects on its results. There are no significant effects regarding the Bank's ability to generate margins, credit delinquencies and the solvency of its credit portfolio.

Exchange rates

The *real* experienced significant appreciation in 2006 and 2007. The R$.U.S.$ exchange rate was R$2.1380 per U.S.$1.00 on December 2006 and decreased to R$1.7713 per U.S.$1.00 on December 31, 2007. However, the *real* depreciated from R$1.5919 per U.S.$1.00 on June 30, 2008 to R$2.3370 per U.S.$1.00 on December 31, 2008 and then appreciated again in 2009 to reach R$1.7412 per U.S.$1.00 on December 31, 2009.

The Bank's financial results have not been significantly affected by the fluctuations in exchange rates, particularly because its policy is to match assets and liabilities denominated in foreign currencies, thus obtaining a natural hedge with its operations and also by using derivative financial instruments to hedge all funds raised abroad in order to avoid significant effects due to fluctuations in exchange rates.

Growth of the GDP

Actual GDP growth has a direct effect on the Bank's operating results, particularly as it affects the volume of credit extensions in Brazil. The Bank's credit portfolio has consistently increased over the last few years, reaching R$9,119.2 million on December 31, 2009, as compared to R$8,066.4 million on December 31, 2008 and R$7,617.9 million on December 31, 2007. However, in light of the global crisis beginning in the second half of 2008, Brazil's GDP growth was negatively affected, reflecting in an impact on the Bank's results of operation which, however, has not prevented the growth of the Bank's loan portfolio to R$9,119.20 million as of December 31, 2009.

Compulsory deposits

The required level of compulsory deposits imposed by the Central Bank is one of the most important factors affecting the operating results of financial institutions in Brazil. The increase or decrease of compulsory deposits will have a significant impact on its operating results by limiting or increasing the amount of funds the Bank has available for credit extensions. The requirements for compulsory deposits has been decreasing, however, any significant increase in the future could have an adverse effect on its operating results.

The Central Bank imposes a number of compulsory deposit requirements on financial institutions in order to control the liquidity of the Brazilian Banking System. These requirements affect the Bank's ability to provide financing, since the higher the compulsory deposit the lower is the system's overall liquidity, which leads to a trend of reducing credit assets, which affects its interest income.

In November 2004, the Central Bank adjusted the requirements for compulsory deposits related to time deposits aimed at increasing the liquidity of the banking system in order that financial institutions with compulsory deposit requirements not exceeding R$300.0 million were not required to make any deposit.

In light of the global financial crisis, the CMN and the Central Bank enacted measures to change the Brazilian regulatory framework in order to provide financial markets with greater liquidity, including:

- a discount from the time deposits reserve requirement of R$2 billion;
- a reduction of the rate applicable for reserve purposes on additional time deposit and demand deposit reserve requirements from 8% to 4%, and 8% to 5%, respectively;
- an authorization for banks to deduct the amount of foreign currency acquisition transactions with the Central Bank from the reserve requirements on interbank deposits of commercial leasing companies; and
- a reduction of the rate of compulsory demand deposits from 45% to 42%.

In view of the gradual recovery experienced by both global and Brazilian economies since the second half of 2009, the Central Bank reviewed and changed the level of required bank reserves and compulsory deposits by means of the enactment of Circular Nos. 3,485 and 3,486, both of February 24, 2010, which restated the rate applicable to time deposits, additional time deposits, and demand deposits reserve requirement.

Capital Adequacy

The Central Bank requires that banks, in general, comply with regulations similar to those of the Basel Accord relating to the sufficiency or capital adequacy (except for, among others, the determination of minimum capital adequacy of 11.0% instead of the 8.0% required by the Basel Accord). The Central Bank also applies capital requirements relating to foreign currency exposure, interest rate market risks and swap transactions risks, which are part of the Bank's capital adequacy ratio according to the rules of the Basel Accord. The Central Bank also imposes restrictions on banks' exposure to foreign currency. Pursuant to applicable banking regulations, the exposure of Brazilian financial institutions in gold and assets and liabilities indexed to foreign exchange risks cannot be greater than 30.0% of the reference shareholders' equity.

In June 2004, the banking supervision committee of the Bank of International Settlements, or BIS, approved the publication of the International Convergence of the Measurement and Capital Standards: A Revised Framework, known as the New Basel Accord. On December 9, 2004, the Central Bank, by means of Bulletin No. 12,746, expressed its intention to adopt the New Basel Accord in Brazil. The bulletin indicated that the Central Bank intends to adopt the New Basel Accord gradually, seeking to incorporate the adaptations applicable to the Brazilian banking industry. See "Brazilian Banking System and Industry Regulation—Principal Limitations and Restrictions on Financial Institutions—Capital Adequacy Guidelines."

Critical Accounting Policies

The Bank presents below a description of its critical accounting policies that currently affect its financial condition and operating results and that require its management to adopt certain estimates and assumptions, derived from its track record and other factors deemed reasonable and material, including estimates and assumptions related to the determination of an allowance for loan losses, provision for deferred income tax assets, provision for contingencies and valuation of derivative financial instruments. The adoption of these estimates and assumptions requires the Bank's management to make judgments related to the effects of inherently uncertain matters on its financial condition and operating results.

Advances on Foreign Exchange Contracts

According to Brazilian GAAP, "advances on foreign exchange contracts" is included in the line item "other liabilities—foreign exchange portfolio" to offset liabilities. However, the advances on foreign exchange contracts are included in the asset line item "Loans" in the footnotes to the financial statements with the objective of showing total loans and financing that have been granted, as well as establishing a proper allowance for loan losses. The allowance for loan losses related to the advances on foreign exchange contracts are included in the Bank's financial statements in the line item "allowance for loan losses." See "Brazilian Banking System and Industry Regulation" for a presentation of the system and classification of its credit portfolio and allowance for loan losses by the Central Bank.

For purposes of this offering memorandum, unless otherwise indicated, the advances on foreign exchange contracts are included in the Bank's total credit portfolio and the allowance accrued, as well as the allowance related to the advances on foreign exchange contracts, are included in its total allowance for loan losses and "allowance for loan losses."

Credit Assignments

The Bank grants, periodically, with co-obligation, credit for its operational portfolio of payroll deductible loans in consideration for monetary payment. Credit assignments may be carried out with or without the co-obligation of the assignor of the credits. Income from credit assignments is recorded at the time of the disposal of credits under the heading "Loans—Personal Consigned Credit—Assigned Operations," and arises out of the comparison of revenues, corresponding to the difference between the discounted amount of the credits and the amount received from the buyer, with inherent expenses related to commissions paid to the sellers.

For the year ended December 31, 2009, the Bank's net income from credit assignments was 2.4% of its credit income and 2.1% of its income from financial intermediation. As of December 31, 2009, the Bank's income from assigned credit totaled R$30.9 million.

For the year ended December 31, 2008, the Bank's net income from credit assignments was 1.7% of its credit income and 1.2% of its income from financial intermediation. As of December 31, 2008, the sum of the Bank's income from assigned credit totaled R$30.3 million.

On assigning credit assignments, with co-obligation, the Bank remains exposed to the credit risks of the credit granted, as if the Bank still owned this credit. Payment of payroll deductible loans is structured so that each payment deducted from the payment sheet of the buyer includes the value of the principal and interest owed. In the event of default of any payment, the Bank must repurchase only the principal and interest installment, which is in default, and then owing, instead of the full credit.

The Bank recorded a "provision for contingencies" in the credit assignments with a co-obligation to cover the co-obligation assumed, which is calculated based on the ratings attributed to the credits or the clients holding the operations assigned to third parties, which will be maintained during the term the co-obligation is assumed. As of December 31, 2009, the Bank established provisions of R$16,000 in respect of assigned credit with co-obligation.

Pursuant to Central Bank regulations, credit which must be granted with co-obligation is recorded in off-balance sheet accounts to classify the credit risk. Furthermore, in accordance with Central Bank rules, the Bank attributes a certain risk factor to calculate its capital adequacy level.

Allowance for Loan Losses

The allowance for loan losses is calculated based on the criteria set forth in CMN Resolution No. 2,682. According to this Resolution, credit is classified at nine levels of credit risk, with AA as the lowest, through to H, as the highest, and a minimum provision is recorded for credits classified in each category, varying from 0% (for credits classified as AA) up to 100.0% (for credits classified as H).

In the classification of loans in the respective levels of risk, loans are separated into two groups. The first group comprises loans in which the total liability is equivalent to, or greater than, R$50,000. The loans included in this group are classified based on factors such as the amount of the transactions, existing guarantees, and characteristics of the client, the client's economic condition and history of operations. The second group comprises loans with amounts not exceeding R$50,000, which may be classified upon the adoption of an internal evaluation model or based on the risk levels above, *provided* that the classification must be at least level A. The CMN regulations require that the classification of loans with amounts greater than 5.0% of the reference capital must be reviewed twice a year. Furthermore, overdue and unpaid credits must be reclassified to higher risk categories according to the number of days overdue.

Contractual interests of credit overdue by up to 59 days are recorded as income from credit and, from the 60th day, as unearned income not recorded. Overdue credits classified in the risk level H are maintained in this category for 180 days. After this period, they are recorded as losses, where they must be kept for a period of five years while the procedures for collection are completed. Renegotiated credits are maintained in the category in which they were classified before renegotiation, and may be adjusted with a view towards a better classification as a result of any significant amortization of the outstanding amount or other factors set forth in the criteria. Any renegotiated credit subject to offsetting against reserves will be classified in the H category and any gains from the renegotiation will only be recognized when received. For further information, see "Brazilian Banking System and Industry Regulation— Principal Limitations and Restrictions on Financial Institutions—Classification of credit and allowance for loan losses."

Additional allowances may be necessary if the Bank's estimates differ from the amounts effectively accrued.

Deferred Taxes

Deferred income tax credits and losses are recorded based on the difference between the amounts included in the financial statements and the calculated basis of the tax levied on assets and liabilities, at the current rate. The possible recovery of any deferred income tax credits are regularly reviewed by management, based on estimates of future taxable income against which tax credits could be offset. Actual results may differ from estimates.

Provisions for Contingencies

The recognition, measurement and disclosure of asset and liability claims and legal obligations are carried out in accordance with CVM Deliberação No. 489:

Contingent assets. These assets are not recorded, except in the event of a favorable and non-appealable legal outcome, when such assets are expected to be recovered. Assets with probable favorable outcome are disclosed in Note 24(a) to the Bank's financial statements included elsewhere in this offering memorandum;

Contingent liabilities. These liabilities are recorded in the event of probable losses, according to the opinion of the Bank's legal counsel. The cases of possible losses are solely disclosed in Note 24(b) to the Bank's financial statements included elsewhere in this offering memorandum; and

Legal obligations. These obligations are recognized and accrued in the balance sheet, regardless of possible favorable outcomes that could arise from any legal proceedings. Additional provisions may be necessary if the Bank's estimates differ from the amounts effectively paid.

Classification of Securities

As set forth in Circular No. 3,068, of November 8, 2001, the Central Bank requires that securities are evaluated and classified as follows: (i) trading securities: are securities to be acquired frequently and actively traded, adjusted to market values against results for the period; (ii) securities held to maturity: are securities obtained as a financial position to be held in a portfolio up to the maturity date, recorded at the acquisition price, plus earnings accrued against results for the period and (iii) securities for sale: are securities not intended to be traded or held to maturity, adjusted at market values, against a separate account in shareholders' equity, net of tax obligations.

Market Price of Securities and Derivative Financial Instruments

In accordance with Brazilian GAAP, the Bank records some of its assets, such as securities and derivative instruments, at their market price.

The market price is the value that a position could be closed or sold under a transaction entered into with an informed party. The market price of most securities held is determined based on the value of the transactions carried out on a specific business day prior to the day the transaction was carried out. If the information on such transactions is not available, the Bank would determine market price based on several sources. As regards to Brazilian government securities, the market price is based on research data provided by the Brazilian National Association of Financial Market Institutions (*Associação Nacional das Instituições do Mercado Financeiro*). The market price of the securities issued abroad is based on the market price established by the institutions responsible for the trading of such securities. The units of investment funds and the shares of publicly-held companies are appraised based on the price determined by the manager of the fund and by the average trading value on the last day of each month, respectively.

The Bank enters into derivative transactions in order to manage its exposure to interest and foreign exchange risks. The market price of derivative instruments is determined based on the respective quotations of the stock exchange where these derivative instruments are traded, principally BM&FBOVESPA. Derivatives counterparties undertaking transactions on BM&FBOVESPA are required to pledge collateral securing their obligations. However, most of the Bank's derivatives transactions are not traded on BM&FBOVESPA.

The appraisal of derivative financial instruments is determined based on the market price and the resulting appreciations or depreciations as recorded in the statement of operations for the period. However, in accordance with Circular No. 3,082, of January 30, 2002, as amended, issued by the Central Bank, derivative financial instruments are classified as hedge of cash flow and cash, and appreciations or depreciations are fully or partially recorded in a separate account of shareholders' equity, net of tax. In the event the derivative financial instruments are contracted under funding or investment transactions, as set forth in Circular No. 3,150, of September 11, 2002, issued by the Central Bank, the adjustments to market price will not be recorded.

Pursuant to Resolution No. 3,824, enacted by the CMN on December 16, 2009, since February 1, 2010, all derivative transactions made by Brazilian financial institutions outside Brazil, either directly or indirectly, must be registered with a Brazilian clearing chamber authorized to operate by the Central Bank or the CVM. This requirement was extended to hedging transactions made outside Brazil by Resolution No. 3,833, which was enacted by the CMN on January 28, 2010 and has been in force since March 15, 2010.

Law No. 11,638 of December 28, 2007 (effective as from January 1, 2008), introduced amendments to the Brazilian Corporate Law and changes to the accounting rules and financial statements of Brazilian corporations

Some of the major changes introduced by Law No. 11,638 that may affect the presentation of the financial statements of the Bank and the criteria for determining the Bank's financial position and earnings as from the fiscal year ending 2008 include the following:

- the requirement to publish a Statement of Changes in Financial Position has been abolished and will be replaced with the requirement to publish a Statement of Cash Flows and a Statement of Added-Value;
- intangible assets and rights have been segregated from the tangible assets and rights, and permanent assets may now be classified as investments, property, plant and equipment, intangibles and deferred charges;
- the caption "equity valuation adjustments" has been created under shareholders' equity; increases or decreases in the values assigned to assets and liabilities arising from mark-to-market adjustments will be considered adjustments to equity and not included in the income statement for the year in accordance with the accrual method; and
- pre-operating expenses and restructuring costs effectively contributing to an increase in earnings over more than one fiscal year that do not simply represent a decrease in costs or an addition to the operating efficiency will be classified as deferred charges;

Law No. 11,638 also amended the criteria for the valuation of assets and liabilities as follows:

- assets and liabilities arising from long-term transactions, as well as significant short-term transactions, will be adjusted to present value in accordance with international accounting standards;

- the recovery amount of property, plant and equipment, intangible assets and deferred charge assets and rights shall be periodically evaluated so as to allow companies to record potential losses or carry out a review of the depreciation rates, amortization, and depletion criteria; and

- rights classified as intangible assets shall be evaluated based on historical costs and then deducted from the balance of the respective amortization account.

The effect of the changes introduced by Law No. 11,638 will be apparent only after the CVM and the Central Bank enact adopting regulations. Some of the changes introduced by this law have already been enacted by the CVM and the Central Bank, such as the mark-to-market adjustment of marketable securities and financial instruments.

Statement of Income

The Bank's main sources of income and expenses are:

Financial Operations Income. Comprised mainly of income from loans and securities and derivative transactions, and, to a lesser extent, interest income from lease operations.

Financial Operations Expenses. Comprised of interest on deposits, money market and interbank funds, expenses from derivative financial instruments, allowance for loan losses, foreign exchange transactions, borrowings and on-lendings operations.

Other Operating Income. Comprised mainly of service fee income and other income such as positive monetary and foreign exchange variations.

Other Operating Expenses. Comprised of personnel expenses, indirect taxes, other administrative expenses and negative monetary and foreign exchange variations.

Fiscal Year Ended December 31, 2009 compared to the Fiscal Year Ended December 31, 2008

Financial Operations Income

	For the Fiscal Year Ended December 31,				
	2009	% of Total	2008	% of Total	Variation (%)
Financial operations income	*(In R$ millions, except percentages)*				
Loans	1,286.7	86.5	1,788.8	89.6	(28.1)
Working capital and discounts	883.0	59.4	1,042.8	52.2	(15.3)
Secured accounts	197.1	13.2	268.7	13.5	(26.6)
Personal consigned credit	26.9	1.8	73.8	3.7	(63.6)
Personal credit	6.8	0.5	13.5	0.7	(49.6)
Assigned credits with co-obligation	30.9	2.1	30.3	1.5	2.0
"Compror"	5.2	0.4	17.7	0.9	(70.6)
Corporate checks	26.9	1.8	29.7	1.5	(9.4)
BNDES on-lending	1.0	0.1	3.0	0.2	(66.7)
Import financing	13.9	0.9	26.0	1.3	(46.5)
Export financing	113.0	7.6	145.3	7.3	(22.2)
Rural and agro-industrial financing	6.0	0.4	0.6	0.0	900.0
Real estate and housing	0.6	0.0	0.7	0.0	(14.3)
Resolution 2770 (former "Res.63")	4.9	0.3	4.9	0.2	0.0
Vendor	1.8	0.1	2.2	0.1	(18.2)
Other loans and financing	16.1	1.1	8.5	0.4	89.4
Recovery of loans written off as losses	37.8	2.5	25.9	1.3	45.9

Expenses with assigned credits	(6.5)	(0.4)	(2.4)	(0.1)	170.8
Exchange variation on loans in foreign currency	(78.7)	(5.3)	97.7	4.9	(180.6)
Leases	32.8	2.2	12.7	0.6	158.3
Securities	167.8	11.3	167.5	8.4	0.2
Income from compulsory investments	0.3	0.0	26.8	52.2	(98.9)
Financial operations income	**1,487.5**	**100.0**	**1,995.8**	**100.0**	**(25.5)**

Income from financial operations decreased by 25.5% from R$1995.8 million in 2008, to R$1,487.5 million in 2009, mainly due to a decrease of R$502.1 million in income from loans.

Loans. Income from loans generated by the Bank's loan portfolio decreased 28.1%, from R$1,788.8 million in 2008, compared to R$1,286.7 million in 2009, mainly due to the decrease in the average volume of loans, resulting from the effects of the global financial crisis beginning in the second half of 2008 and its effects on the Brazilian economy and the Bank's decision to adopt a more conservative policy regarding the granting and renewal of credit operations.

Securities. Income from securities mainly refers to income generated by the Bank's treasury department or securities and repurchase commitments. Income from securities remained stable and increased from R$167.5 million in 2008 to R$167.8 million in 2009. For further information, see "Business—Main Products and Services—Loan operations—Treasury operations" included elsewhere in this offering memorandum.

Income from compulsory investments. This item refers to the interest paid by the Central Bank on compulsory investments maintained with that governmental authority. Income from compulsory investments decreased 98.9%, from R$26.8 million in 2008, to R$0.3 million in 2009. This decrease resulted from a reduction in the level of compulsory deposits that financial institutions in Brazil are required to deposit with the Central Bank, a measure adopted by the Central Bank in response to the global financial crisis and intended to improve Brazil's financial system and market liquidity. See "Brazilian Banking System and Industry Regulations— Principal Limitations and Restrictions on Financial Institutions—Regulation affecting liquidity in the financial market—Reserves and other requirements."

Financial Operations Expenses

	For the Year Ended December 31,				
	2009	**% of Total**	**2008**	**% of Total**	**Variation (%)**
Financial operations expenses	*(In R$ millions, except percentages)*				
Deposits, money market and interbank funds	(347.7)	48.2	(915.7)	73.9	(62.0)
Saving deposits	(0.8)	(0.1)	(2.9)	0.2	(72.4)
Foreign securities	(81.4)	(11.3)	(102.1)	8.2	(20.3)
Interbank deposits	(28.2)	(3.9)	(31.7)	2.6	(11.0)
Time deposits	(368.6)	(51.1)	(566.0)	45.7	(34.9)
Repurchase operations	(3.0)	(0.4)	(29.8)	2.4	(89.9)
Expenses with Debentures	(10.7)	(1.5)	(6.6)	0.5	62.1
Other	(7.2)	(1.0)	(7.3)	0.6	(1.4)
Exchange variations	152.2	21.1	(169.3)	13.7	(189.9)
Borrowings and on-lendings	339.7	(47.1)	(574.1)	46.3	(159.2)
Derivative financial instruments	(330.8)	45.8	122.2	(9.9)	(370.7)
Foreign exchange transactions	(150.9)	20.9	405.2	(32.7)	(137.2)
Allowance for loan losses	(231.8)	32.1	(277.3)	22.4	(16.4)
Total	**(721.5)**	**100.0**	**(1,239.7)**	**100.0**	**(41.8)**

Expenses from financial operations decreased by 41.7% from R$1,239.7 million in 2008 to R$721.5 million in 2009, mainly due to the decrease in the volume of local currency funding from R$915.7 million in 2008 to R$347.7 million in 2009. The decrease in the cost of local currency funding was principally due to a reduction in the volume of time deposits and interbank funds as there has been a reduction in the availability of funds as a result of the global financial market crisis.

Deposits, money market and interbank funds. This item includes expenses from deposits, money market and interbank funds related to savings deposits, time deposits, domestic and foreign funding in *reais* and foreign currency and repurchase commitments. Expenses from deposits, money market and interbank funds decreased by 62.0% from R$915.7 million in 2008 compared to R$347.7 million in 2009, mainly due to the 34.9% decrease in expenses from time deposits as a result of the decrease in the volume of time deposits from R$566.0 million in 2008 to R$368.6 million in 2009 and the effect of the appreciation of the *real* on foreign funding. See "Business—Main Products and Services—Loan operations—Treasury operations."

Borrowings and on-lending. These expenses mainly relate to the funds raised from *Agência Especial Financiamento Industrial*, or FINAME, the on-lending of funds raised internationally and foreign-currency denominated funds from international correspondent banks and BNDES. The Bank recorded revenues relating to these activities of R$339.7 million in 2009 compared to an expense of R$574.1 million in 2008, principally due to the appreciation of the *real* against the U.S. dollar during 2009. See "Business—Main Products and Services—Loan operations—On-lending of BNDES funds."

Derivative financial instruments. This item includes the costs incurred in connection with the maintenance of swap instruments used to hedge foreign funds. Derivative financial instruments represented income of R$122.2 million in 2008 compared to expenses of R$330.8 million in 2009 principally due to the appreciation of the *real* against the U.S. dollar during 2009. This decrease in expenses from derivative financial instruments offset the gains from foreign exchange transactions described in "Borrowings and on-lendings" above.

Foreign exchange result. Foreign exchange transactions presented a negative R$150.9 million result in 2009, compared to an income of R$405.2 million in 2008. This year-on-year change was caused by a reduction in the average volume of ACC transactions *(adiantamento de contrato de câmbio)* and the impact of the appreciation of the *real* during the period, offset against which were revenues received from commercial hedges put in place by the Bank's Treasury department.

	Year ended December 31,	
	2009	**2008**
	(In R$ millions)	
Income from foreign exchange operations	94,348	83,038
Expenses with foreign exchange operations	(2,066)	(6,730)
Subtotal	**92,282**	**76,308**
Foreign Exchange variations	(243,154)	328,913
Foreign exchange results	**(150,872)**	**405,221**

Excluding the effects of variations in foreign exchange rates, the results of the Bank's foreign exchange transactions, which mainly include income from ACC and other operational income, in addition to spot transactions and arbitrations, totaled R$92.3 million in 2009 compared to R$76.3 million in 2008.

Provisions for loan losses. Provisions related to allowances for loan losses decreased by 16.4% to R$231.8 million in 2009 compared to R$277.3 million in 2008. The higher provision recorded in 2008 was a result of the deterioration of its portfolio that the Bank anticipated as a result of the global credit crisis. In 2009, since the second quarter, these provisions have been gradually returning to their historical values. See "Business—Main Products and Services—Loan Operations."

Gross Profit from Financial Operations

Gross Profit from Financial Operations	**For the Year Ended December 31,**				
	2009	**% of Total**	**2008**	**% of Total**	**Variation (%)**
	(In R$ millions, except percentages)				
Total	**766.1**	**51.5**	**756.3**	**30.0**	**1.3**

The gross profit from financial operations increased by 1.3% to R$766.1 million in 2009 compared to R$756.3 million in 2008, as a direct result of the factors previously described.

Other Operating Income & Expenses

Other operating income & expenses include (i) the revenues from banking tariffs, recovery of charges and expenses, income from securities and credits and sale of assets and (ii) personnel expenses, taxes, other administrative expenses, commissions payable to credit agents, other provisions and sundry indirect operational expenses.

	For the Year Ended December 31,				
	2009	**% of Total**	**2008**	**% of Total**	**Variation (%)**
Other operating income (expenses)	*(In R$ millions, except percentages)*				
Income from services rendered	12.1	(4.2)	10.3	(2.9)	17.8
Income from banking services	35.9	(12.4)	43.5	(12.1)	(17.4)
Personnel expenses	(131.2)	45.2	(137.7)	38.3	(4.7)
Indirect Taxes	(64.8)	22.3	(58.7)	16.3	10.4
Other administrative expenses	(113.7)	39.2	(116.5)	32.4	(2.4)
Other operating income	109.0	(37.6)	12.2	(3.4)	793.5
Other operating expenses	(137.5)	47.4	(112.6)	31.3	22.1
Total	**(290.0)**	**100.0**	**(359.5)**	**100.0**	**(19.3)**

Other operating income & expenses decreased 19.3% to R$290.0 million in 2009 compared to R$359.5 million in 2008, mainly due to the increase in other operating income related to reduction on provisions.

Income from services rendered (plus) income from banking services. Income from services rendered and banking services decreased 10.8% to R$48.0 million in 2009 compared to R$53.8 million in 2008, mainly due to the reduction in volume of new loans granted during the period.

Personnel Expenses. Personnel expenses decreased 4.7% to R$131.2 million in 2009 compared to R$137.7 million in 2008, mainly due to a decrease in the number of employees of the Bank.

Indirect Taxes. Taxes increased 10.4% to R$64.8 million in 2009 compared to R$58.7 million in 2008, due to the increase of the calculation basis of income tax.

Other administrative expenses. Other administrative expenses decreased 2.4% to R$113.7 million in 2009 compared to R$116.5 million in 2008, mainly due to a decrease in data processing expenses (10.6% of the total) and “marketing expenses” (4.8% of the total).

Other operating income. Other operating income increased 793.5% from R$12.2 million in 2008 to R$109.0 million in 2009. The increase was principally driven by (i) a tax amnesty program introduced by the Brazilian government in 2009, resulting in the Bank recording income of R$42.7 million, and (ii) a final and favorable decision in relation to a PIS tax claim, resulting in the Bank recording income of R$50.3 million as it was able to reduce the applicable provision in relation to that tax claim.

Other operating expenses. Other operating expenses increased by 22.1% to R$137.5 million in 2009 compared to R$112.6 million in 2008, mainly due to (i) the increase in expenses related to discounts granted in renegotiations of loans, as the Bank experienced an increase of overdue loans principally due to the negative impact of the global financial crisis on the Brazilian economy and on the financial conditions of some of the Bank’s clients in the period; (ii) expenses related to the re-evaluation of tax claims; (iii) commissions paid in relation to assigned credits; (iv) employee profit sharing and (v) other operating expenses such as costs to support expansion through new branches and costs related to the acquisition of Sul Financeira, in respect of which the Central Bank issued a conditional approval on April 12, 2010.

Operating Result

Operating result increased by 20.0% to R$476.1 million in 2009 compared to R$396.9 million in 2008, as a result of the factors described above.

Non-Operating Result

This item consists of revenues or expenses from the disposal of unused permanent assets received as loan payments (mainly real estate and vehicles) and non-performing assets, such as furniture and computers, and provisions for value adjustment of other non-operational assets.

Non Operating Result	For the Year Ended December 31,				
	2009	% of Total	2008	% of Total	Variation (%)
	(In R$ millions, except percentages)				
Results from selling investments	3.2	76.2	0.5	44.1	5.4
Results from assets not for own use	1.2	28.6	1.2	116.7	0.0
Others	(0.2)	(4.8)	(0.6)	(60.8)	66.7
Total	**4.2**	**100.0**	**1.0**	**100.0**	**320**

Non-Operating Results increased by 320% to R$4.2 million in 2009 compared to R$1.0 million in 2008, mainly due to income received from the sale of Câmara de Custódia e Liquidação, or CETIP, and VISA shares owned by the Bank in 2009. The acquisition cost of these shares was relatively low, but their market value appreciated significantly as a result of the initial public offerings of CETIP and VISA.

Income before taxes

Income before taxes increased by 20.7% to R$480.3 million in 2009 compared to R$397.9 million in 2008, as a result of the factors discussed above.

	For the Year Ended December 31,				
	2009	% of Total	2008	% of Total	Variation (%)
	(In R$ millions, except percentages)				
Income before taxes	**480.3**	**100.0**	**397.9**	**100.0**	**20.7**
Income tax	(91.5)	(19.1)	(141.9)	(35.7)	(35.5)
Social contribution	(48.4)	(10.1)	(70.1)	(17.6)	(31.0)
Tax credit	14.1	2.9	164.1	41.2	(91.4)
Statutory profit sharing	(36.3)	(7.6)	(29.4)	(7.4)	23.4
Net income	**318.2**	**66.3**	**320.5**	**80.5**	**(0.7)**

Income tax and social contribution (net of tax credits) decreased 34.0%, to R$139.9 million in 2009 compared to R$212.0 million in 2008. The decrease was principally driven by the effects of a Brazilian government tax amnesty program, which resulted in the Bank generating non-taxable income in the period. The variations in income tax and social contribution on the Bank's net income are proportional to the variation of taxable income. The reduction in tax credit in the period was a result of the Bank's decision to participate in this tax amnesty program.

Statutory profit sharing. The Bank recorded an expense of R$36.3 million related to statutory profit sharing in 2009, compared to an expense of R$29.4 million in 2008, due to the recording of profit sharing on an accrual basis, in accordance with the Bank's by-laws.

Net Income

The following table sets forth the main components of the Bank's net income for the year ended December 31, 2009 and 2008:

	For the Year Ended December 31,				
	2009	% of Total[1]	2008	% of Total[1]	Variation (%)
	(In R$ millions, except as otherwise indicated)				
Financial operations income	1,487.5	100.0	1,995.8	100.0	(25.5)
Financial operations expenses	(721.5)	(48.5)	(1,239.7)	(62.1)	(41.8)
Gross profit from financial operations	**766.1**	**51.5**	**756.3**	**30.0**	**1.3**
Other operating income (expenses)	**(290.0)**	**(19.5)**	**(359.4)**	**(14.2)**	**(19.3)**

	For the Year Ended December 31,				
	2009	% of Total(1)	2008	% of Total(1)	Variation (%)
	(In R$ millions, except as otherwise indicated)				
Operating result	**476.1**	**32.0**	**396.9**	**15.7**	**19.9**
Non-operating result	4.2	0.3	1.0	0.0	319.8
Income before taxes	**480.3**	**32.3**	**397.9**	**15.8**	**20.7**
Income tax	(91.5)	(6.2)	(141.9)	(5.6)	(35.5)
Social contribution	(48.4)	(3.3)	(70.1)	(2.8)	(31.0)
Tax credit	14.1	0.9	164.1	6.5	(91.4)
Statutory profit sharing	(36.3)	(2.4)	(29.4)	(1.2)	23.4
Net income	**318.2**	**21.4**	**320.5**	**12.7**	**(0.7)**

Note:
(1) Calculated on the income from financial operations.

The Bank's net income slightly decreased 0.7% to R$318.2 million in 2009 compared to R$320.5 million in 2008, as a result of the factors described above.

Fiscal Year Ended December 31, 2008 compared to the Fiscal Year Ended December 31, 2007

Financial Operations Income

	For the Year Ended December 31,			Variation	
	2008	% total	2007	% total	2008 x 2007
	(in R$ million except for percentages)				%
Loans	1,788.8	89.6	1,002.1	78.8	78.5
Working capital and discounts	1,042.8	52.2	564.2	44.4	84.8
Secured accounts	268.7	13.5	185.6	14.6	44.8
Personal consigned credit	73.8	3.7	143.5	11.3	(48.6)
Personal credit	13.5	0.7	14.6	1.1	(7.5)
Personal consigned credit-assigned operations	30.3	1.5	33.1	2.6	(8.5)
"Compror"	17.7	0.9	9.8	0.8	80.6
Corporate Checks	29.7	1.5	14.7	1.2	102.0
BNDES on-lending	3.0	0.2	8.3	0.7	(63.9)
Import financing	26.0	1.3	11.1	0.9	134.2
Export financing	145.3	7.3	27.4	2.2	430.3
Rural and agro-industrial financing	0.6	0.0	1.4	0.1	(57.1)
Real estate and housing	0.7	0.0	0.8	0.1	(12.5)
Resolution 2770 (former "Res.63")	4.9	0.2	4.3	0.3	14.0
Vendor	2.2	0.1	0.5	0.0	340.0
Other loans and financing	8.5	0.4	13.4	1.1	(36.6)
Recovery of loans written off as losses	25.9	1.3	21.5	1.7	20.5
Expenses with assigned operations	(2.4)	(0.1)	0.0	0.0	0.0
Exchange variation on loans in foreign currency	97.7	4.9	(52.1)	(4.1)	(287.5)
Leases	12.7	0.6	2.8	0.2	353.6
Securities	167.5	8.4	249.5	19.6	(32.9)
Income from compulsory investments	26.8	1.3	16.5	1.3	62.4
Financial operations income	**1,995.8**	**100.0**	**1,270.9**	**100.0**	**57.0**

Income from financial operations increased 57.0% to R$1,995.8 million in 2008, compared to R$1,270.9 million in 2007, mainly due to the increase in income from loans of R$786.7 million.

Loans. Income from loans generated by the Bank's loan portfolio increased 78.5%, from R$1,002.1 million in 2007, compared to R$1,788.8 million in 2008, mainly due to the increase in the average volume of loans, which generated R$786.7 million of additional revenues.

Securities. Income from securities decreased 32.9%, from R$249.5 million in 2007, compared to R$167.5 million in 2008, mainly due to the decrease of 90% in the average volumes of repurchase commitments.

Income from compulsory investments. Income from compulsory investments increased 62.4%, from R$16.5 million in 2007 to R$26.8 million in 2008. This increase resulted from greater volumes of compulsory deposits due to the growth in funding by CDBs that the Bank carried out in 2008.

Financial Operations Expenses

	For the Year Ended December 31,				
	2008	**% of Total**	**2007**	**% of Total**	**Variation (%)**
	(In R$ millions, except percentages)				
Deposits, money market and interbank funds	(915.7)	73.9	(451.5)	62.8	102.8
Saving deposits	(2.9)	0.2	(2.3)	0.3	26.1
Foreign securities	(102.1)	8.2	(75.7)	10.5	34.9
Interbank deposits	(31.7)	2.6	(18.4)	2.6	72.3
Time deposits	(566.0)	45.7	(328.9)	45.8	72.1
Repurchase operations	(29.8)	2.4	(143.0)	19.9	(79.2)
Expenses with Debentures	(6.6)	0.5	(3.2)	0.4	106.3
Other	(7.3)	0.6	(4.5)	0.6	62.2
Exchange variations	(169.3)	13.7	124.7	(17.4)	(235.8)
Borrowings and on-lendings	(574.1)	46.3	174.1	(24.2)	(429.8)
Derivative financial instruments	122.2	(9.9)	(179.5)	25.0	(168.1)
Foreign exchange transactions	405.2	(32.7)	(122.9)	17.1	(429.7)
Allowance for loan losses	(277.3)	22.4	(138.7)	19.3	99.9
Financial operations expenses	**(1,239.7)**	**100.0**	**(718.5)**	**100.0**	**72.5**

Expenses from financial operations increased 72.5% from R$718.5 million in 2007 to R$1,239.7million in 2008, mainly due to the significant increase in local currency funding from R$6,943.3 million as of December 31, 2007, to R$8,829.3 million as of December 31, 2008. The increase in the cost of local currency funding was mainly due to a reduction in the availability of funds in Brazil.

Deposits, money market and interbank funds. Expenses from deposits, money market and interbank funds increased 102.8% to R$915.7 million in 2008 compared to R$451.5 million in 2007, mainly due to (i) the 72.1% increase in expenses from time deposits as a result of the increase in the volume of time deposits from R$328.9 million as of December 31, 2007 to R$566.0 million as of December 31, 2008; and (ii) the increase in expenses with funding in foreign currency due to the exchange variations in the period. See "Business—Main Products and Services—Loan operations—Treasury operations."

Borrowings and on-lendings. These expenses mainly relate to the funds raised from BNDES and FINAME the on-lending of funds raised internationally and foreign-currency denominated funds from international correspondent banks. The Bank increased expenses relating to these activities by 429.9% to R$574.1 million in 2008 compared to an income of R$174.1 million in 2007. The increase in expenses resulted from foreign exchange losses in the Bank's foreign-currency denominated loans, due to the depreciation of the *real* against the U.S. dollar during 2008, partially offset by the reduction in the average balances of BNDES on-lendings. See "Business—Main Products and Services—Loan operations—On-lending of BNDES funds."

Derivative financial instruments. Income from derivative financial instruments was an expense of R$179.5 million in 2007, compared to income of R$122.2 million in 2008, mainly due to the depreciation of the *real* against the U.S. dollar during 2008.

Foreign exchange transactions. Income from foreign exchange transactions totaled R$405.2 million in 2008, compared to an expense of R$122.9 million in 2007, as recorded in the Bank's statement of income and in the table below:

	Year ended December 31,	
	2008	**2007**
	(In R$ millions)	
Income from foreign exchange operations	83.0	72.2
Expenses with foreign exchange operations	(6.7)	(5.1)
Subtotal	**76.3**	**67.1**
Foreign Exchange variations	328.9	(190.0)
Foreign exchange results	**405.2**	**(122.9)**

Excluding the effects of variations in foreign exchange rates, the results of the Bank's foreign exchange transactions, which mainly include income from ACC and other operational income, in addition to spot transactions and arbitrations, totaled R$76.3 million in 2008 compared to R$67.1 million in 2007. This increase mainly reflects revenues from ACC transactions, which increased 9.6%, from R$65.2 million in 2007 to R$71.4 million in 2008.

Allowance for loan losses. Expenses related to allowances for loan losses increased 99.9% to R$277.3 million in 2008 compared to R$138.7 million in 2007, due to the increase in the allowance for loan losses from R$133.3 million as of December 31, 2007 to R$310.9 million as of December 31, 2008. The increase in allowance for loan losses was due to the Bank's decision to make additional provisions in the last quarter of 2008 due to the Bank's perception of the negative impact of the global financial crisis on the Brazilian economy, and in part on the financial condition of its clients in the period. See "Business—Main Products and Services—Loan Operations."

Gross Profit from Financial Operations

The gross profit from financial operations increased 36.9% to R$756.3 million in 2008 compared to R$552.5 million in 2007, as a direct result of the factors above described.

Other Operating Income (Expenses)

	For the Year Ended December 31,				
	2008	% of Total	2007	% of Total	Variation (%)
Other operating income (expenses)	*(In R$ millions, except percentages)*				
Income from services rendered	10.3	(2.9)	4.6	(1.6)	123.9
Income from banking services	43.5	(12.1)	38.3	(13.7)	13.6
Personnel expenses	(137.7)	38.3	(110.7)	39.6	24.4
Taxes	(58.7)	16.3	(43.1)	15.4	36.2
Other administrative expenses	(116.5)	32.4	(109.6)	39.2	6.3
Other operating income	12.2	(3.4)	14.6	(5.2)	(16.4)
Other operating expenses	(112.6)	31.3	(73.6)	26.3	53.0
Total	**(359.4)**	**100.0**	**(279.4)**	**100.0**	**28.6**

Other operating expenses increased 28.6% to R$359.4 million in 2008 compared to R$279.4 million in 2007, mainly due to the increase in personnel expenses, tax expenses, other administrative expenses and other operating expenses that were partially offset by an increase in the service fee income.

Income from services rendered. Income from services rendered increased 123.9% to R$10.3 million in 2008 compared to R$4.6 million in 2007, mainly due to the higher volume of loans and, consequently, an increase in banking services.

Income from banking tariffs. Income from banking tariffs increased 13.6% to R$43.5 million in 2008 compared to R$38.3 million in 2007, mainly due to the higher volume of loans and the increase in collection of fees on the management of receivables and tariffs on the management of the plans with the national health system, or *Sistema Único de Saúde*), or SUS.

Personnel Expenses. Personnel expenses increased 24.4% to R$137.7 million in 2008 compared to R$110.7 million in 2007, mainly due to the increase in the number of the Bank´s employees and the increase in the salaries paid to the Bank's employees, as a result of the collective bargaining agreement negotiated between the union of banks and the union of bank workers for that period.

Taxes. Taxes increased 36.2% to R$58.7 million in 2008 compared to R$43.1 million in 2007, due to the increase in the provisions for the PIS, and the COFINS, which accounted for 79.8% of the total in 2007 and 76.8% of the total in 2008.

Other administrative expenses. Other administrative expenses increased 6.3% to R$116.5 million in 2008 compared to R$109.6 million in 2007, mainly due to expenses with amortization and depreciation which increased from R$ 8.4 million in 2007 to R$18.3 million in 2008.

Other operating income. Other operating income decreased by 16.4%, from R$14.6 million in 2007, compared to R$12.2 million in 2008, due to a reversal in the first quarter of 2007 of the provision for contingencies relating to a tax claim (See "Business—Litigation and Administrative Proceedings—Tax Issues"), which was not repeated in 2008.

Other operating expenses. Other operating expenses increased 53.0% to R$112.6 million in 2008 compared to R$73.6 million in 2007, mainly due to the decrease in expenses related to tax provisions (from R$4.5 million in 2007 to R$37.8 million in 2008) and an increase in expenses relating to sponsorships and tax (IOF) charged in exchange transactions.

Operating Result

Operating result increased 45.3% to R$396.9 million in 2008 compared to R$273.1 million in 2007, mainly due to the increase in the gross profit from financial operations, mainly resulting from the increase in the volumes of loans originated, which led to a 5.9% increase in the balance of the Bank's loan portfolio over this period.

Non-Operating Result

This item mainly consists of revenues or expenses from the disposal of unused permanent assets received as loan payments (real estate and vehicles), and non-performing assets, such as, furniture and computers. The non-operating results do not have a significant volume (R$1.0 million expense in 2008) and were similar to the previous period.

Income before taxes

Income before taxes increased 45.5% to R$397.9 million in 2008 compared to R$273.4 million in 2007, mainly due to the increase in income from financial operations.

	For the Year Ended December 31,				
	2008	**% of Total**	**2007**	**% of Total**	**Variation (%)**
	(In R$ millions, except percentages)				
Income before taxes	**397.9**	**100.0**	**273.4**	**100.0**	**45.5**
Income tax	(141.9)	(35.7)	(88.8)	(32.5)	59.8
Social contribution	(70.1)	(17.6)	(27.1)	(9.9)	158.7
Tax credit	164.1	41.2	45.7	16.7	259.1
Statutory profit sharing	(29.4)	(7.4)	(21.3)	(7.8)	38.0
Net income	**320.5**	**80.5**	**181.9**	**66.5**	**76.2**

Income tax and social contribution (net of tax credits) totaled R$47.9 million in 2008 compared to R$70.2 million in 2007, a 31.8% decrease that was in line with the growth of the Bank's taxable income for the period, in accordance with applicable legislation.

Statutory profit sharing. The Bank recorded an expense of R$29.4 million related to statutory profit sharing in 2008, compared to an expense of R$21.3 million in 2007, due to the recording of profit sharing on an accrual basis, in accordance with the Bank's by-laws.

Net Income

The following table sets forth the main components of the Bank's net income for the twelve-month periods ended December 31, 2008 and 2007:

	For the Year Ended December 31,				
	2008	**% of Total**	**2007**	**% of Total**	**Variation (%)**
Net Income	*(In R$ millions, except percentages)*				
Financial operations income	1,995.8	100.0	1,270.9	100.0	57.0
Financial operations expenses	(1,239.7)	(62.1)	(718.5)	(56.5)	72.5
Gross profit from financial operations	**756.3**	**30.0**	**552.5**	**57.0**	**36.9**
Other operating income (expenses)	(359.4)	(14.2)	(279.4)	(28.8)	28.6
Operating result	**396.9**	**15.7**	**273.1**	**28.2**	**45.3**
Non operating result	1.0	0.0	0.3	0.0	233.3
Income before taxes	**397.9**	**15.8**	**273.4**	**28.2**	**45.5**
Income tax	(141.9)	(5.6)	(88.8)	(9.2)	59.8

	For the Year Ended December 31,				
	2008	% of Total	2007	% of Total	Variation (%)
Net Income	*(In R$ millions, except percentages)*				
Social contribution	(70.1)	(2.8)	(27.1)	(2.8)	158.7
Tax credit	164.1	6.5	45.7	4.7	259.1
Statutory profit sharing	(29.4)	(1.2)	(21.3)	(2.2)	38.0
Net income	**320.5**	**12.7**	**181.9**	**18.8**	**76.2**

Note:

(1) Calculated on the income from financial operations.

The Bank's net income increased 76.2% to R$320.5 million in 2008 compared to R$181.9 million in 2007, mainly due to: (i) the increase in income from the credit portfolio, (ii) the efficient management of increased costs in view of the results from financial intermediation, (iii) the increase in service fees due to a greater volume of transactions, and (iv) the more efficient and successful management and control of administrative and operating costs.

Financial Position

Policy for Management of Assets and Liabilities

The Treasury Executive Committee holds weekly meetings to define the macroeconomic policies related to the Bank's activities. These policies, defined after analysis of the economic and political environment relating to the domestic and foreign markets, are used to manage the Bank's funding and investment activities.

The Treasury Officer is responsible for setting the funding policy, who, after meeting with the Treasury Executive Committee, defines the procedures to be adopted in relation to rates, terms and products. Funding operations follow a strict credit evaluation process and the definition of the rates to be used is made by the Bank's regional officers in conjunction with the Bank's President.

The majority of the operations are based on the index for Certificates of Interbank Deposit CDI, which avoids currency exposure. Potential mismatches are managed by the Treasury department. As a policy, the Bank focuses on short- and medium-term loans, backed by receivables, and for investment activities the Bank focuses on long-term operations, under conditions that do not contemplate early pre-payment in order to facilitate better cash flow management.

Liquidity

The Bank's Treasury Executive Committee sets forth the general rules relating to the management of its short-, medium- and long-term assets and liabilities, determines the adequacy levels of its cash and short-term bond balances, and continuously monitors market conditions and its effects in relation to its activities.

As of December 31, 2007, these funds were R$591.2 million, or approximately 37.8% of the increased shareholders' equity (R$1,563.4 million). As of December 31, 2008, these funds were R$1,964.3 million, or approximately 116.6% of the increased shareholders' equity (R$1,685.1 million) and as of December 31, 2009 these funds were R$1,460.0 million, or approximately 82.7% of the shareholders' equity (R$1,766.4 million), which the Bank considers as adequate to meet potential volatility in the market. The Bank believes that the stability and liquidity of the Brazilian financial markets should provide the Bank with immediately available resources of between 25% and 30% of its short-term commitments. The Bank considers this sufficient to meet its obligations, given the positive past results of renewals in its long-term deposits as well as the short-term nature of its credit assets, of which a significant percentage have a maturity of less than 90 days, which enables the Bank to manage its cash flow.

Until recently, management of the Bank's cash flow was supported by the matching of lending and funding, principally short-term lending and funding. However, longer term funding, principally abroad with maturity dates of more than three years, together with the gradual extension of maturity dates in credit transactions, enables the Bank to better manage cash flow in respect of liquidity requirements.

In light of this, in the event of a liquidity crisis, the Bank believes it would not have difficulty in negotiating with the Central Bank for public securities and a portfolio of credit assets, from the financial assistance programs run by the Central Bank.

Sources of Funding

The Bank's principal source of funding is the issuance of CDBs to corporate, individual and institutional investors.

The Bank aims to further increase its base of deposits by means of the following actions which have already been implemented: (i) increasing the average length of its fund raising; (ii) increasing its efforts to gain new clients; (iii) investing in marketing of its products and services to the general public; (iv) increasing its fund raising in foreign currency by improving its international credit ratings, which will facilitate its access to the international market; and (v) improving its relationship with allied banks and multilateral financial organizations which have already granted the Bank lines of credit or are in process of granting new ones.

The following tables set out the breakdown of the sources of funding as of the dates indicated.

	As of December 31,					
	2009	**% Total**	**2008**	**% Total**	**2007**	**% Total**
Customer deposits						
Demand deposits	368.3	4.3	114.1	1.3	112.9	1.6
Savings deposits	11.8	0.1	175.6	2.0	227.9	3.3
Time deposits	4,918.2	56.8	3,816.3	43.2	3,832.5	55.3
Total deposits	**5,298.3**	**61.2**	**4,106.0**	**46.5**	**4,173.3**	**60.2**
Interbank funding						
Interbank deposit	513.0	5.9	338.0	3.8	239.0	3.4
FIDC	171.5	2.0	201.1	—	—	—
Total interbank funding	**684.5**	**7.9**	**539.2**	**6.1**	**239.0**	**3.4**
Government sources						
Borrowings and on-lending	32.6	0.38	9.4	0.1	45.7	0.7
Total government sources	**32.6**	**0.38**	**9.4**	**0.1**	**45.7**	**0.7**
(Bonds) Debentures						
Funds obtained from the issuance of debentures	**88.7**	**1.0**	112.1	1.3	—	—
Foreign sources						
Securities issued abroad	736.1	8.5	1,296.0	14.7	713.8	10.3
Foreign funding	1,470.4	17.0	2,283.5	25.9	1,549.8	22.3
Foreign on-lending	350.5	4.0	483.0	5.5	214.7	3.1
Total foreign sources	**2,556.9**	**29.5**	**4,062.6**	**46.0**	**2,478.3**	**35.7**
Total	**8,661.0**	**100.0**	**8,829.3**	**100.0**	**6,936.3**	**100.0**

The following tables set forth the details of the Bank's funding by means of foreign sources as of December 31, 2009:

				As of December 31, 2009		
	Issue date	**Maturity**	**Rate (coupon)**	**Issue amount (In U.S.$ millions)**	**Current balance (In R$ millions)**	**Current balance (In U.S.$ millions)**
Subordinated debt	03/03/06	10 years	9.75%	120.0	216.4	124.3
Euro Medium-Term Notes Program (U.S.$1 billion)	04/23/08 and 05/19/08	2 years	7%	180.0	317.6	182.4
Total				**300.0**	**534.0**	**306.4**

IADB/ IIC (A/B Loans)	Original amount (In U.S.$ millions)	Disbursement date	Maturity	Current balance (In R$ millions)[(2)]	As of December 31, 2009 Current balance (In U.S.$ millions)
IADB – A/B Loan Trade	35.0	December 2009	1 year	61.3	35.2
IADB – A Loan	20.0	June 2007	5 years	35.2	20.2
IADB – B Loan	80.0	June 2007	3 years	140.5	80.7
IADB – B Loan	90.0	August 2009	3 years	158.2	90.9
IIC – A Loan	10.0	July 2009	2 years	13.1	7.5
Total				**408.3**	**234.5**

	Original amount (In R$ millions)	Disbursement Date	Term	As of December 31, 2009 Current balance (In R$ millions) [(2)]
IFC Note	82.4	March 2007	5.4 years	85.4
IFC Note	48.9	December 2009	5.3 years	49.2

	Original amount (In U.S.$ millions)	Disbursement Date	Term	As of December 31, 2009	
				Current balance (In R$ millions) [(2)]	Current balance (In U.S.$ millions)
Guarantee for trade finance operations					
IADB	40.0	June 2005	—	25.6	14.7
IFC	100.0	February 2006	—	125.1	71.9
Total				**150.7**	**86.6**

				As of December 31, 2009	
Trade Syndication	Original amount (In U.S.$ millions)	Disbursement Date	Term	Current balance (In R$ millions)[(2)]	Current balance (In U.S.$ millions)
Tranche B	45.0	March 2008	2 years	79.6	45.7

Note:

(1) Includes interest rates and taxes.
(2) Includes interest rates.
(3) The expenses related to the issuing of debt securities are recorded in a liability account of deferred expenses, accrued according to the respective term of these transactions.

Demand deposits. The Bank's balance of demand deposits increased to R$368.3 million as of December 31, 2009, from R$114.1 million as of December 31, 2008, as compared to R$112.9 million as of December 31, 2007, mainly due to transfers from savings deposits into demand deposits.

Savings deposits. The Bank's balance of savings deposits decreased to R$11.8 million as of December 31, 2009, compared to R$175.6 million as of December 31, 2008, to R$227.9 million as of December 31, 2007, mainly due to the fact that depositors began to have further options regarding their short-term investments with the discontinuance of the CPMF tax.

Time deposits. A significant portion of the Bank's funding is made by means of time deposits. As of December 31, 2009, this type of funding totalled R$4,918.2 million, corresponding to an increase of 28.9% in relation to December 31, 2008 (R$3,816.3 million). This increase was due to the Bank's decision to increase funding in *reais* by issuing time deposits rather than issuing foreign denominated debt in 2009. As of December 31, 2007, this type of funding totalled R$3,832.5 million, corresponding to an increase of 71.6% in relation to the same period in 2006, as a result of capital raising undertaken in order to implement the Bank's decision to increase such type of funding. In general, these time deposits are provided by means of the issuance of CDBs, with pre- and post-fixed rates.

Interbank deposits. The Bank raises interbank loans with Brazilian financial institutions through operations carried out in the money market. The Bank's balance of interbank deposits increased to R$513.0 million as of December 31, 2009, compared to R$338.0 million as of December 31, 2008 because of new loans borrowed from the Ministry of Agriculture's *Funcafé* fund, which are due to be repaid in 2011. The Bank's interbank deposits were R$239.0 million as of December 31, 2007.

Securities issued abroad. The Bank's balance of securities issued abroad decreased to R$736.1 million as of December 31, 2009, compared to R$1,296.1 million as of December 31, 2008 mainly due to payment of U.S.$150 million due in 2009. On April 23, 2008, the Bank raised U.S.$130 million through the issue of its Series 4 notes under its U.S.$1 billion medium-term note program. A second tranche of its Series 4 notes in the amount of U.S.$50 million was issued on May 19, 2008. The Bank's balance of securities issued abroad was R$713.8 million as of December 31, 2007.

Borrowings. Borrowings and on-lending consist of domestic on-lending (BNDES and FINAME). The Bank's balance increased to R$32.6 million as of December 31, 2009, compared to R$9.4 million as of December 31, 2008, and R$45.7 million as of December 31, 2007 because of new loans borrowed from the Ministry of Agriculture's *Funcafé* fund, which are due to be repaid in 2011.

The Bank's experience in granting credit to the middle market segment and its distribution network gives the Bank capacity to raise funds through credit operations. The resources used to expand its business are principally the issuance of CDBs in favor of corporate, individual and financial institutions, in addition to fund raising in foreign currency. The Bank's information technology facilities are able to sustain the expected growth in its credit operations, without the need of further material investments in technology resources.

On March 19, 2008, the Bank entered into a U.S.$110.0 million syndicated loan agreement with Wachovia Bank N.A. and Standard Chartered Bank as lead managers. The loan agreement has been fully drawn down and will mature in two tranches; tranche A, in the amount of U.S.$65 million, has a maturity of one year and tranche B, in the amount of U.S.$45 million, will be repaid in April 2010.

On July 12, 2009, the Bank entered into a U.S.$10.0 million loan agreement with Inter-American Investment Corporation, or IIC. The loan agreement has been fully drawn down and will mature on June 7, 2011.

On November 12, 2009, the Bank entered into R$48.5 loan agreement with the IFC. Under the Loan Agreement, the IFC agreed to extend funding to the Bank through an issuance of notes by the Bank. The repayment shall be made in semi-annually installments commencing on April 15, 2012 and the final maturity is April 15, 2015.

On November 16, 2009, the Bank entered into U.S.$35.0 million loan agreement with IADB. The loan agreement has been fully drawn down and will mature on December 15, 2010.

Use of Funds

The Bank uses its funds mainly to carry out credit extensions, particularly loans in the middle market segment and, to a lesser extent, in the personal sector in the personal loan/payroll deductible loan segment.

The following tables set forth a summary of the Bank's credit portfolio as of the dates indicated:

Use of funds	As of December 31,					
	2009	% of Total	2008	% of Total	2007	% of Total
	(In R$ million, except percentages)					
Working capital and discounts	5,352.1	58.7	4,395.7	54.5	4,038.6	53.0
Secured accounts	934.6	10.2	873.7	10.8	1,007.9	13.2
Consigned personal credit	265.3	2.9	378.9	4.7	477.4	6.2
Personal credit	27.8	0.3	82.2	1.0	156.9	2.1
Consigned personal – assigned operations	0.7	0.0	5.9	0.1	27.3	0.4
Import financing	374.6	4.1	581.0	7.2	463.4	6.1
Export financing	544.4	6.0	734.0	9.1	221.7	2.9
BNDES on-lendings	0.7	0.0	6.5	0.1	38.5	0.5
Rural and agro-industrial financing	140.8	1.5	12.7	0.2	15.8	0.2
Other loans and financing	325.0	3.6	253.3	3.1	265.4	3.5
Sub total	**7,966.0**	**87.4**	**7,323.9**	**90.8**	**6,712.9**	**88.1**
Lease operations	228.9	2.5	115.8	1.4	19.2	0.3
Advance on foreign exchange contracts	905.8	9.9	618.2	7.7	905.0	11.9
Other receivables	19.1	0.2	14.4	0.2	8.1	0.1
Other credits	**1,153.8**	**12.7**	**748.4**	**9.3**	**932.3**	**12.3**
Sub-total	**9,119.8**	**100.0**	**8,072.3**	**100.1**	**7,615.2**	**100.4**
Assigned operations with co-obligation	(0.7)	0.0	(5.9)	(0.1)	(27.3)	(0.4)
Total credit portfolio	**9,119.2**	**100.0**	**8,066.4**	**100.0**	**7,617.9**	**100.0**

As of December 31, 2009, 91.8% of the Bank's total credit portfolio was classified under the credit risk levels of AA to C, compared to 95.3% as of December 31, 2008 and 97.7% as of December 31, 2007. The ratio between the overdue debts and the total credit portfolio was 1.8% as of December 31, 2009, compared to 1.6% as of December 31, 2008, 0.7% as of December 31, 2007. Among credits classified between risk levels AA to C, the proportionally more significant increase in credits within the A, B and C risk levels reflects the large increase in lending to the middle market and that new clients are only rarely included within the AA risk level. The large increase in the Bank's credit portfolio may over time result in increased loan losses and material differences in asset quality ratios.

	As of December 31,							
	2009	% of Total	2008	% of Total	2007	% of Total	2006	% of Total
	(In R$ millions, except percentages)							
Risk level								
AA	525.8	5.8	1,035.9	12.8	1,029.5	13.5	930.6	21.0
A	4,001.7	43.9	3,457.5	42.9	3,689.0	48.4	2,312.1	52.1
B	2,810.2	30.8	2,543.1	31.5	2,037.4	26.7	854.2	19.3
C	1,028.5	11.3	650.6	8.1	688.6	9.0	241.6	5.4
D	222.9	2.4	159.4	2.0	109.8	1.4	66.7	1.5
E	142.2	1.6	38.5	0.5	16.7	0.2	44.7	1.0
F	162.5	1.8	118.8	1.5	15.3	0.2	12.4	0.3
G	105.6	1.2	8.3	0.1	22.6	0.3	17.0	0.4
H	119.7	1.3	54.3	0.7	36.3	0.5	26.6	0.6
Subtotal	**9,119.2**	**100.0**	**8,066.4**	**100.0**	**7,645.2**	**100.4**	**4,505.9**	**101.6**
Assignment of credits with co-obligations	—	—	—	—	(27.3)	(0.4)	(72.2)	(1.6)
Total	**9,119.2**	**100.0**	**8,066.4**	**100.0**	**7,617.9**	**100.0**	**4,433.7**	**100.0**

Compulsory Deposits with the Central Bank

The Central Bank requires that financial institutions deposit certain funds with it or acquire and maintain National Treasury bonds. The funds deposited with the Central Bank may not be used for any purpose. The Central Bank determines the interest rate on such deposits, if any.

Cash Flow

The following table sets forth the Bank's consolidated cash flow as of and for the dates indicated.

	As of and for the Year Ended December 31,		
	2009	2008	2007
Cash Flow—Indirect Model		*(In R$ millions)*	
Cash arising from (used in)operating activities			
Net income of the period	**318.2**	**320.5**	**181.9**
Adjustments to the net income	**197.9**	**374.8**	**184.2**
Provisions for loan losses	231.8	277.3	138.7
Depreciation and amortization	20.5	18.2	8.4
Reversal of provisions	15.8	(0.2)	0.5
Civil, Labor and fiscal reversal of provisions	(69.1)	80.3	37.1
Losses for selling of fixed assets	(3.2)	—	—
Earnings for selling assets not for own use	(1.2)	0.0	0.0
Others	3.4	(0.8)	(0.5)
Adjusted Net Income	**516.1**	**695.3**	**366.1**
(Increase) decrease in interbank funds applied	(101.7)	64.9	(82.0)
(Increase) decrease in securities	335.3	1265.2	283.0
Decrease in interbank and interbranch accounts	26.3	201.0	(179.9)
Increase in credit and leasing operations	(884.3)	(828.8)	(3310.7)
Decrease in deferred income	3.9	(11.1)	(8.7)
(Increase) decrease in other receivables and other assets	434.3	(664.0)	(206.5)
Increase in Other Liabilities	(603.1)	700.6	365.8
Prior year adjustments	—	(6.9)	—
Net cash provided by (used in) operating activities	**(273.2)**	**1,416.1**	**(2,772.8)**
Investing activities – cash arising from (used in)			
Selling of assets not for own use	8.4	18.2	2.8
Disposal of investments	3.2	0.0	0.1
Selling of fixed and Lease assets	0.1	0.0	1.0
Acquisition of assets not for own use	(19.0)	(7.4)	(21.2)
Acquisition of investments	(0.0)	(0.1)	(0.0)
Acquisition of fixed and Lease assets	(5.9)	(17.0)	(16.3)
Investment in intangible assets	(1.6)	(1.0)	—
Investment in deferred assets	—	(29.7)	(26.1)
Net cash provided by (used in) investing activities	**(14.9)**	**(37.0)**	**(59.7)**
Cash flow of financing activities			
Increase in deposits	1,367.4	31.8	1891.2
Decrease in money market repurchase commitments	(11.2)	(1,334.4)	(290.3)
Increase (decrease) in debt securities	(514.1)	624.9	(71.0)
Increase in borrowing and on-lendings	(922.5)	969.6	582.9
Increase in subordinated debts	(69.3)	70.2	(45.8)
Dividends paid	(63.0)	(31.0)	906.9
Interest on shareholders' equity paid and/or accrued	(108.0)	(95.4)	—
Acquisition of own stocks	(70.1)	(64.4)	(53.8)
Net cash provided by (used in) financing activities	**(390.8)**	**171.3**	**2,920.1**
Statement of cash variation	**(678.9)**	**1,550.3**	**87.6**
Cash and cash equivalents at the beginning of the period	1,818.9	268.6	181.0
Cash and cash equivalents at the end of the period	1,140.0	1,818.9	268.6
Increase (decrease) in cash and cash equivalents	**(678.9)**	**1,550.3**	**87.6**

Analysis of Cash Flow

Cash Flow from Operating Activities

Cash flow generated from operating activities was (R$273.2) million in the year ended December 31, 2009, compared to R$1,416.1 million used in operating activities in the year ended December 31, 2008, mainly due to the increase of the volume used in interbank funds applied in credit operations.

Cash flow generated in operating activities was R$1,416.1 million in the year ended December 31, 2008, compared to (R$2,772.8) million used during the year ended December 31, 2007, mainly due to the increase in volume used in credit and leasing operations.

Cash Flow from Investing Activities

There was an increase in the investment of funds in investing activities from (R$37.0) million as of December 31, 2008 to (R$14.9) million as of December 31, 2009, due to the reduction in assets not for own use, which in ultimate, means the reduction of goods received in payment of bad-loans.

There was an increase in funds in investing activities to R$37.0 million in 2008 compared to (R$59.7) million of funds used in investing activities in 2007, due to significant increases in investments in deferred charges, other assets and fixed assets, specifically related to the extension of the Bank's branch network, with the purchase of new service outlets and the renovation of existing leased service outlets.

Cash Flow from Financing Activities

The cash flow from funding activities decreased from R$171.3 million generated in the year ended December 31, 2008, to (R$390.8) million generated in the year ended December 31, 2009, mainly due to the repayment of foreign denominated loans.

The cash flow from funding activities decreased to R$171.3 million in 2008, from R$2,920.1 million in 2007, mainly due to significant decreases in deposits and capital.

Capital Requirement

According to Central Bank regulation, the Bank is required to comply with the rules of capital reserve requirements, which include the guidelines of the Basel Accord for the Brazilian banking system. The Central Bank regulation requires that the financial institutions maintain a total capital reserve equivalent to or greater than 11.0% of their risk-weighted assets, which is greater than the 8.0% required in the Basel Accord. The capital reserve requirements are calculated on consolidated basis.

	As of December 31,		
	2009(1)	**2008(1)**	**2007**
	(In R$ millions, except percentages)		
Tier I	1,744.6	1,720.5	1,549.8
Tier II	216.4	285.7	220.3
Reference net worth	**1,961.0**	**2,006.2**	**1,770.1**
Required net worth	1,349.4	1,141.2	1,004.8
Margin on the required net worth	611.6	865.0	765.3
Basel Accord ratio	**16.0%**	**19.34%**	**19.4%**

Notes:

(1) The data presented as of December 31, 2009 and 2008 was calculated based on CMN Resolution No. 3,444, which revoked CMN Resolution No. 2,837, both issued by CMN.

Interest Rate Sensitivity

The management of interest rate sensitivity is an important component of the Bank's asset and liability policy. The Bank uses the "immunization" method to neutralize interest rate risk, through which assets are invested so that their values vary in accordance with the current amount of liabilities. Conceptually, the easiest method to achieve the immunization of a portfolio is by matching the cash flows of both assets and liabilities, that is, the cash flow of liabilities and assets and the total yield invested in each period. Immunization also has higher initial costs since the investments must be divided into several different commercial papers, some of which have lower yields, and concentrated in two or three investments, which typically provides greater yields. The challenge is to find a way to achieve immunization by concentrating the investments in a few assets.

In practice, it is difficult to achieve a complete matching of the cash flows of investments and liabilities, however, since the market value of investments must increase or decrease at the same pace as the current amount of liabilities, a sensitivity measure of such amounts may be used in relation to variations in interest rates. This measure is provided by the duration of the assets and liabilities and the method used in such duration is referred to as the matching of durations.

The general concept of durations represents the exposure of the market value of a security to variations in interest rates based on the average useful life of cash flows derived from the assets. The traditional method is referred to as "D" by Macaulay, defined as the average term of the payments weighted by the proportion that its present value represents to the total present value of the asset.

The exposure to interest rates arises out of the exposure to the variation risk in the interest rates used by the Bank in relation to the interest rates charged in the market. In any period, the pricing structure is deemed balanced when the same volume of assets and liabilities matures or is renewed on a concurrent basis. Any mismatch between the revenues from assets and the cost of liabilities represent a position gap, which corresponds to the difference between assets and liabilities that are sensitive to interest rates.

A negative gap indicates greater exposure to liabilities and, in general, indicates that a drop in interest rates would have a positive effect on the net interest income. On the other hand, a positive gap indicates the assets exposure and, in general, indicates that a drop in interest rates would have a negative effect on net interest income. This ratio is subject to daily material fluctuations in view of market conditions and management decisions.

The Bank's strategy of exposure to interest rates takes into consideration:

- yield rates;
- level of implied risk; and
- liquidity requirements, including regulatory reserves, compulsory liquidity rates, capital costs and additional funding requirements.

The Bank monitors the mismatching of maturities and positions and manages such mismatching within the limits previously established by its Treasury Executive Committee. The Bank's positions are reviewed on a weekly basis and modified based on changes in market conditions. For further information, see "Selected Statistical Information—Balance Sheet by Maturity."

Exchange Rate Sensitivity

The Bank's transactions are denominated mostly in *reais*. However, the Bank has foreign currency-denominated or indexed liabilities, primarily in U.S. dollars. The consolidated foreign exchange exposure is equivalent to the difference between assets and liabilities linked to the foreign exchange variation, including derivatives at market value.

The following table sets forth the composition of the Bank's assets and liabilities, by separating the foreign currency-linked assets and liabilities and its consolidated foreign exchange exposure as of December 31, 2009:

Exposure to foreign exchange rates	As of December 31, 2009		
	Balance	Local currency	Foreign currency
		(In R$ millions)	
Assets			
Cash and cash equivalents	245.3	1.5	243.9
Interbank funds applied	1,059.6	1,059.1	0.5
Securities and derivative financial instruments	456.4	448.7	7.7
Interbank accounts	95.8	95.8	—
Loans	7,965.3	6,629.2	1,336.1
Allowance for loan losses	(377.4)	(377.4)	—
Lease operations	228.9	228.9	—
Allowance for doubtful lease receivables	(5.2)	(5.2)	—
Other receivables	1,615.4	617.9	997.5
Allowance for other losses	(36.2)	(36.2)	—
Other assets	71.7	71.7	0.0
Permanent assets	80.0	80.0	—
Total Assets	**11,399.7**	**8,814.0**	**2,585.7**
Liabilities			
Demand deposits	368.5	367.2	1.3
Saving deposits	11.8	11.8	—
Interbank deposits	513.0	513.0	—
Time deposits	4,918.2	4,773.8	144.4
Money market repurchase commitments	8.4	8.4	—
Debt securities	608.4	88.7	519.6
Interbank accounts	0.1	0.1	—
Interbranch accounts	30.5	30.5	—
Repass borrowings	32.6	32.6	—
Foreign currency bypass borrowings	1,820.9	—	1,820.9
Derivative financial instruments	178.5	138.2	40.3
Other Liabilities	1,133.5	781.9	351.6
Total Liabilities	**9,624.2**	**6,746.1**	**2,878.1**
Deferred Income	9.0	9.0	—
Shareholders' equity	1,766.4	1,766.4	0.0
Total Liabilities and shareholders' equity	**11,399.7**	**8,521.5**	**2,878.1**

The Bank has a policy of limiting its exposure to foreign currency and interest mismatches. Any mismatches are managed or hedged by means of derivative transactions, reducing exposure to the limits set out in its policy and in compliance with Central Bank requirements. The Bank does not contract or offer its clients any leveraged derivative transactions.

The pricing of the future exchange rate is related to two factors: the current price of the currency and the mismatch between domestic and foreign interest rates in the future. Accordingly, the Bank monitors its mismatches in foreign currency, through the Treasury Executive Committee, which holds weekly meetings, in order to accurately evaluate how those two factors may affect the Bank's assets and liabilities.

Off-Balance Sheet Arrangements

The Bank does not have off-balance sheet arrangements, except for letters of credit and other guarantees, totaling in the aggregate R$487.1 million as of December 31, 2008 and R$636.9 million as of December 31, 2009.

Quantitative and Qualitative Disclosure of Market Risks

Risk and Risk Management

In the ordinary course of its activities, the Bank is exposed to a number of risks that are inherent to banking activities. The manner by which the Bank identifies and manages these risks directly affects its activities and operations and, therefore, its results. The most significant risks to which the Bank is exposed are:

- Credit Risk, managed by the Credit Officer, who also serves on the Credit Executive Committee;
- Liquidity Risk, managed by the Treasury Officer, who also serves on the Treasury Executive Committee;
- Market Risk, managed by the Managing Officer of Risk Management, who also serves on the Risk Committee; and
- Operating Risk, managed by the Managing Officer of Risk Management, who also serves on the Operations Committee.

The Superintendent's Office of Risk Control has four employees dedicated to the evaluation and centralization of the internal control and risk information, which are directly connected and integrated.

Market Risk

Market risk is identified by means of the impact of the fluctuations in yield and foreign exchange rates on the value of its assets and liabilities. Since the majority of the Bank's assets and liabilities are subject to market risks, the Bank has internally developed tools that allow a real-time diagnosis of its total asset and liability exposure, and also provide alternative scenarios and their impacts on its positions.

The Bank also has a system that allows the analysis of all control matters for mitigation of risks and that, through a specific methodology, allows the evaluation of the risk, its impact in the event of occurrence and the probability of occurrence. It applies not only to market risk but also to operating and credit risks and is in line with the new Basel Accord. Currently, the Bank has a Risk Committee, which meets at least every two months in order to evaluate and follow up with the information received from the risk control areas. The Bank's operational vice-president, the controller officer, the administrative officer and the treasury officer are members of the Risk Committee, among other committees. Particularly in relation to the management of market risk, the Treasury Executive Committee holds weekly meetings to determine goals and evaluate scenarios.

Interest Rate Risk

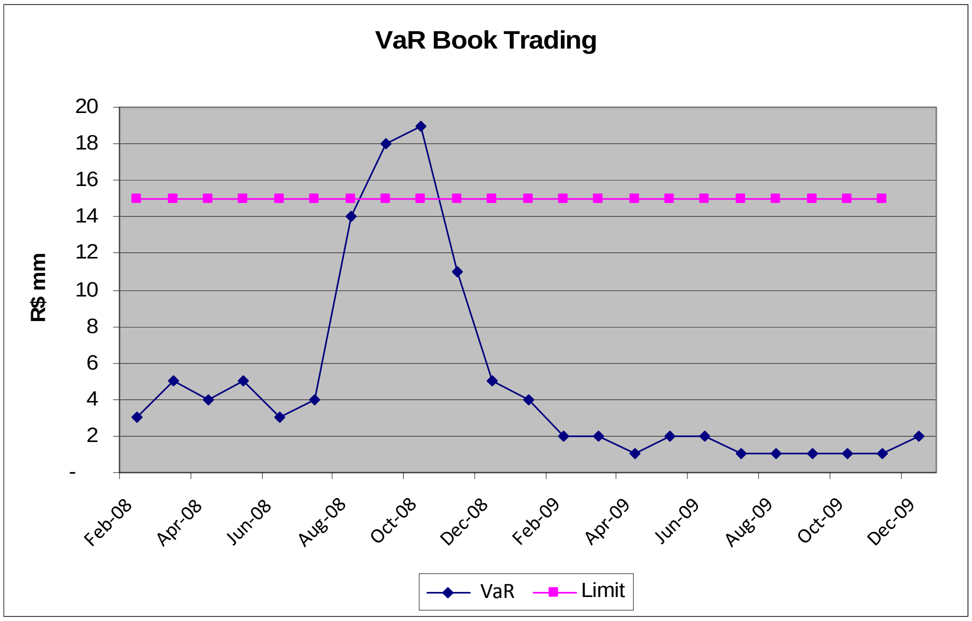
Interest rate risk arises out of the change in the amount of assets and liabilities due to the pricing as a result of yield curves that fluctuate both in their slope and positioning over time.

Since the Bank is exposed to these risks, it seeks to manage its assets and liabilities in order to minimize the adverse effect that such changes may have on its results.

Currently, the Bank's Treasury Executive Committee holds weekly meetings to evaluate and follow up the information received from the risk control areas. On a daily basis, the Bank maps the exposure of the financial results by means of the VaR (value at risk) tool, with an accuracy of 95.0%, which allows the Bank to identify whether the potential risks are tolerable within its means of operations.

In addition, the Bank developed a stress scenario that includes a hypothetical curve it deems reasonable in a crisis scenario. By means of this curve, the Bank measures its effect on its results and considered these risks as the maximum risk within this category. The Bank also has conservative structures for the management of the interest rate risk.

The chart below reflects the Bank's operations with pre-fixed interest rate risk in local currency for the last 12 months, and shows the stability of its exposure:



Source: The Bank's Risk Management System.

BUSINESS

General Overview

The Bank is a Brazilian bank whose shares are publicly listed and traded on BM&FBOVESPA. It is the leading medium-sized bank in Brazil in terms of loan portfolio and net income, according to research carried out by FVG in 2009; and the fifth largest privately owned Brazilian bank in terms of loan portfolio based on the asset position of Brazilian banks as of September 30, 2009, according to a Central Bank publication. The Bank's 71 years of experience in the middle market segment gives it credibility and brand recognition among clients and prospective clients. This experience and the close monitoring of its clients' activities and needs have resulted in the continued growth of the Bank's credit portfolio, with a 5.9% increase from the year ended December 31, 2007 to the year ended December 31, 2008 and a 13.1% increase from the year ended December 31, 2008 to the year ended December 31, 2009. The steep rise in the loan portfolio in the fourth quarter of 2009 facilitated the recovery in the volume of loan operations and the improvement in portfolio quality. The Bank's annual return on average shareholders' equity was 18.7% as of December 31, 2007, 19.7% as of December 31, 2008 and 18.4% as of December 31, 2009.

The Bank's 36 service outlets are strategically located in the main state capitals and cities of Brazil. The Bank also has a branch in Grand Cayman, Cayman Islands to raise funds and offer private banking services to its clients. The Bank believes that the strategic location of its branches has led to a large client base and has enabled it to offer a comprehensive portfolio of products and services.

The Bank seeks to avoid a risk concentration by diversifying its credit portfolio. As of December 31, 2009, the Bank's largest borrower accounted for 1.5% of its credit portfolio, its 10 largest borrowers for 8.2% and its 20 largest borrowers for 13.2%. As of December 31, 2008, such rates were equivalent to 2.1%, 9.8% and 15.0%, respectively. As of December 31, 2007, the Bank's largest borrower accounted for 1.8% of its credit portfolio, its 10 largest borrowers for 8.4% and its 20 largest borrowers for 13.0%. For further information about the Bank's process of credit risk valuation and of credit granting, see "Presentation of Financial and Other Information" and "Business—Policies of Credit Granting and Risk Management."

The Bank continues to focus on the middle market segment, including working capital transactions guaranteed by receivables and short maturities, which the Bank believes is one of the most profitable products in the middle market segment. A significant portion of the Bank's loans has short term maturities, providing the Bank with access to liquidity and an effective risk control tool. In line with the Bank's strategy, corporate credit operations represented 91.6% of the Bank's total credit portfolio as of December 31, 2007, 94.3% as of December 31, 2008 and 96.8% as of December 31, 2009.

The Bank actively participates in the international trade finance segment, amounting to R$1.6 billion as of December 31, 2007, R$1.9 billion as of December 31, 2008, and R$1.8 billion as of December 31, 2009. As of December 31, 2009, trade finance products represented 20.0% of the Bank's loan portfolio. These operations are usually funded by several international banks. In addition, the Bank seeks to allocate part of its credit portfolio to payroll deductible loans for currently active public sector employees, a segment in which the Bank has been operating for more than ten years and which has historically low rates of default. As of December 31, 2009, payroll deductible loans represented 2.9% of the Bank's total loan portfolio.

On October 30, 2009, the Bank signed a purchase agreement to acquire 100% of Sul Financeira, a company headquartered in the City of Porto Alegre, that provides loans to individuals (including payroll deductible loans, consumer credit and vehicle financing) and small-sized companies (including discounted trade receivables). Sul Financeira has two subsidiaries, Sul Financeira Promotora de Vendas Ltda. and Sul Financeira Cobrança Ltda., and 72 employees. Sul Financeira has negative shareholders' equity in an amount of R$100.9 million. The purchase agreement provides that the Bank will acquire Sul Financeira for R$1.00. The Central Bank issued a conditional approval for the acquisition on April 12, 2010. The approval is conditioned on the Bank capitalizing Sul Financeira in the amount of R$150 million. The Bank is working to implement its risk assessment policies and procedures at Sul Financeira so that it is able to capitalize Sul Financeira as permitted by applicable regulations and commence operations. The Bank will not acquire the portfolio of Sul Financeira pursuant to the terms of the purchase agreement.

The following table shows the Bank's main consolidated financial and operational information as of for the periods indicated:

	As of and for the Year ended December 31,			
	2009	2008	2007	CAGR 2007/2009 (%)
	(In R$ millions, except as otherwise indicated)			
Available cash[(1)]	1,460.0	1,964.3	591.2	57.1
Total credit portfolio	9,119.2	8,066.4	7,617.9	9.4
Total assets	11,399.7	12,007.3	10,992.1	1.8
Total deposits	5,811.5	4,444.1	4,412.3	14.8
Total fund raising[(2)]	8,661.1	8,829.3	6,936.3	11.7
Reference shareholders' equity[(3)]	1,961.0	2,006.2	1,770.0	5.3
Shareholders' equity[(4)]	1,766.4	1,685.1	1,563.4	6.3
Net profit	318.2	320.5	181.9	32.3
Return on average total assets (%)[(5)]	2.7	2.8	2.1	—
Return on average shareholders' equity(%)[(6)]	18.4	19.7	18.7	—
Credit coverage ratio[(7)]	2.6	2.5	2.5	—
Credit portfolio write-off[(8)]	1.9	1.3	1.6	—
Basel Accord ratio (%)	16.0	19.3	19.4	—
Efficiency ratio (%)[(9)]	38.0	38.6	44.2	—
Number of employees	747	819	823	(4.7)
Total credit portfolio per employee[(10)]	12.2	9.8	9.3	14.5

Strengths and Competitive Advantages

The Bank attributes its leadership position in the middle market segment to the following strengths and competitive advantages:

Expertise and credibility accumulated over the years in the middle market segment

Operating successfully in the middle market segment depends on know-how and expertise, due to the characteristics of the segment and the importance of close relationships with clients, as well as an in-depth knowledge of the market.

The Bank believes that the expertise and experience it has acquired over decades of operating in the middle market segment has enabled it to maintain a solid base of active and loyal customers and places the Bank in a strong position to take advantage of business opportunities in an effective manner. Over 70 years in the middle-market segment, the Bank believes that it has (i) improved its origination and analysis process through efficient decision-making and disbursements; (ii) developed close relationships with its clients; (iii) created a diversified, profitable portfolio of products to meet its customers' needs; (iv) created efficient and powerful tools to monitor collateral in its secured transactions; (v) established a well-organized and differentiated platform which provides a competitive advantage; and (vi) developed efficient tools to identify opportunities.

The Bank believes that its success is a result of the competitive position that it has acquired through the continued development and improvement of the above-mentioned strengths.

Strong capacity to originate credit and potential growth

The Bank's experience in granting credit to the middle market segment, and a distribution network located in the most significant cities in Brazil, contributes to its strong capacity to structure credit.

The Bank's ability to originate credit was further strengthened in October 2007 when the Bank expanded its capital base from R$527.3 million to R$1,563.4 million, driven by a private capital increase of R$400 million in May 2007 and an IPO in October 2007 totaling R$492.9 million. The Bank's credit portfolio increased by 5.9% during the fiscal year ended December 31, 2008 and 13.1% during the fiscal year ended December 31, 2009. The steep rise in the loan portfolio in the fourth quarter of 2009 facilitated the recovery in the volume of loan operations and the improvement in portfolio quality. The Bank's capital adequacy ratio was 19.4% as of December 31, 2007, 19.3% as of December 31, 2008 and 16.0% as of December 31, 2009.

Financial strength and prudent risk management

The Bank focuses on maximizing the return on equity, the quality of the guarantees it receives and the sustainable and healthy growth and social development of the communities in which it operates. The Bank's business philosophy is sustained by three basic rules: (i) the optimization of the quality of credits through structured transactions guaranteed by receivables; (ii) the dispersal of risks to its assets and (iii) the diversification of funding sources to control its operational risks.

The Bank believes that its client portfolio is diversified, with clients in a variety of economic sectors, including industrial, services, retail, individuals, the public sector and agriculture.

The majority of the Bank's loan portfolio has short term maturities. Loans with maturities of less than 90 days constituted 33.8% of the Bank's loans as of December 31, 2009, 45.7% as of December 31, 2008 and 41.0% as of December 31, 2007. The fact that a significant quantity of the Bank's loans is short term provides the Bank with additional liquidity and makes the Bank's credit risk control more efficient as credit risk exposure is reduced. The adequacy of the Bank's liquidity has been highlighted by the recent global financial crisis in which a liquidity shortage among financial institutions has occurred. On such occasions, the Bank's working capital needs were mainly provided for by the rapid maturing of its credit portfolio.

In addition to this conservative policy, the Bank maintains high levels of immediately available cash. (See the table on page 2, outlining the Bank's main financial and operational information, under the line item "Available cash"). If the Bank needs greater liquidity, it is able to sell credit to third parties, either on a large scale through CCBs or, on a smaller scale, with the use of FIDCs.

The Bank seeks a balance between local and foreign fund raising. The Bank has access to diversified sources of funding, including time deposits, foreign borrowings, issuing bonds abroad or issuing subordinated debt, FIDCs, savings accounts and cash deposits. The Bank has a range of time deposits and its principal customers are corporate entities. Time deposits from corporate entities represented 63.2% as of December 31, 2009, 68.0% as of December 31, 2008 and 61.1% as of December 31, 2007 of the Bank's total time deposits. The diversity of the Bank's funding sources enables it to minimize mismatches between the terms, interest rates and exchange rates relating to its fund raising and lending. With the exception of funding allocated specifically for trade finance operations, where the exchange risk is undertaken by the borrower, all of the Bank's other funding in foreign currency has the exchange risk protected by swaps with other financial institutions. As of December 31, 2009, the Bank had R$2,585.7 million in assets and R$2,878.1 million in liabilities denominated or indexed in foreign currency. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Cash Flow—Exchange Rate Sensitivity."

Furthermore, the Bank diversifies its funding in order to avoid a concentration by type of client. As of December 31, 2009, the Bank's 10 largest clients represented 20.7% of its deposits in CDBs. As of December 31, 2008 and 2007, the Bank's 10 largest clients represented 19.9% and 20.2% of its deposits in CDBs, respectively.

The Bank's financial strength is also evidenced by the increase in its international fund raising operations, including fund raising from multilateral organizations. As of December 31, 2008 and December 31, 2009, the Bank had a total of U.S.$1.8 billion and U.S.$1.6 billion outstanding from its international fund raising operations, respectively.

Customized and efficient information technology systems

Over the years, the Bank has developed its own information technology systems to enable it to provide information within the Bank's processes for the provision of credit. The Bank believes that it has a prompt and consistent process for credit analysis and approval. The Bank has also developed a system to control and monitor the guarantees it receives to enhance the security in its secured transactions. The Bank's service outlets are connected to the on-line central system, which is based on a web platform that the Bank developed to assure the quality of its business. The Bank intends to maintain and develop the quality of its management's information to assure the transparency of its management and to enable the management to effectively oversee the performance of its employees, specifically those working in the commercial area of its business.

Commitment to the best corporate governance practices and internal controls

The Bank believes that its corporate management model is consistent with the highest standards of corporate governance. The Bank's activities are driven by transparency and financial discipline, with strict control over its operational risks, its internal controls and on the alignment of the interests of its shareholders and management. In 2009, among medium-sized banks, the Bank was ranked first in Brazil and second in Latin America in sustainability by the consulting firm Management & Excellence.

The Bank is involved in social projects and is under the regular supervision of the corporate social responsibility committee, with the purpose of improving its relationship with the communities in which it operates. In addition, the Bank analyses the social and environmental risks involved in its business operations. The Bank has implemented programs to train its employees to better identify these risks. The Bank is currently involved, with the support of the IADB, in a social project that includes managing the potential social and environmental risks relating to the financing the Bank provides, as well as determining actions to be taken to more accurately identify these risks.

The Bank constantly seeks to improve its internal controls and has invested in updating its information technology systems over the last few years. The Bank has a risk management department working in conjunction with its internal audit department that regularly evaluates the quality and effectiveness of the Bank's internal controls. In addition to this, PricewaterhouseCoopers LLP was hired in 2007 to analyze the operational risk management structures of the Bank. PricewaterhouseCoopers LLP issued an assurance report, based on information corresponding to the year ended December 31, 2007 which concluded that the Bank's operational risk management structures are adequate in all aspects and in accordance with the NPO 010 Assurance Rules and Procedures (*Normas e Procedimentos de Asseguração*) established by IBRACON. In addition, in October 2009, the Bank approved the creation of an audit committee in accordance with Central Bank rules and best practices which is fully operational.

Experienced Management

The Bank has an experienced management team that is capable of quickly implementing strategic decisions, such as responding to new business opportunities and reducing the Bank's exposure to adverse market conditions. This ability was tested during the recent global financial crisis, when the bank was able to reduce its credit portfolio and maintain low credit defaults and comfortable liquidity levels. The Bank believes its management is positioned to drive the bank to take advantage of the recovery of the Brazilian economy.

Strategies

The Bank seeks to consolidate and increase its market share in the middle market segment through the implementation of the following strategies:

Consolidation and expansion of the Bank's activities in the middle market segment

The middle market segment has been the focus of the Bank's business. The Bank intends to continue expanding its client base in this segment, keeping its focus on providing loans backed with high quality collateral. The Bank also intends to establish closer relationships with its clients through an increase in the number of service outlets and by providing tailor-made financial solutions. The Bank intends to optimize the cross-selling of products to its clients, as well as to develop new products designed for the middle market segment.

Furthermore, in order to increase its market share in the middle market segment, the Bank intends to (i) protect its client base through relationship maintenance policies and (ii) evaluate the acquisition of other financial institutions and/or the assumption of credit portfolios from third parties which are complimentary in terms of client base and products.

Development of new products and services

The Bank aims to maintain its competitive position and increase its profitability by taking advantage of its extensive experience in the middle market segment and by expanding the financial products and services portfolio it offers to clients.

The Bank intends to develop new treasury products, including swaps, hedges and derivatives. Although certain of these products are already offered by the Bank to its clients, the Bank has not yet fully developed this line of business or fully explored the existing market potential in this segment. In addition, the bank acquired Sul Financeira, a company which focuses on the provision of loans to individuals (including payroll deductible loans, consumer credit and vehicle financing) and small-sized companies, which the Bank believes will improve its consumer credit loans segment and increase the Bank's credit portfolio. See "Business─Loan Operations─Loans to private individuals."

Maintenance of diversification of the Bank's funding sources

The Bank's main funding sources are CDBs. The Bank seeks to attract new depositors in Brazil, by increasing its efforts for potential clients and investments in marketing its products and services. Furthermore, the Bank intends to increase its funding in foreign currency, with broader access to international markets, and in order to strengthen its relationships with banking correspondents and multilateral entities and investors.

Maintenance of operational efficiency

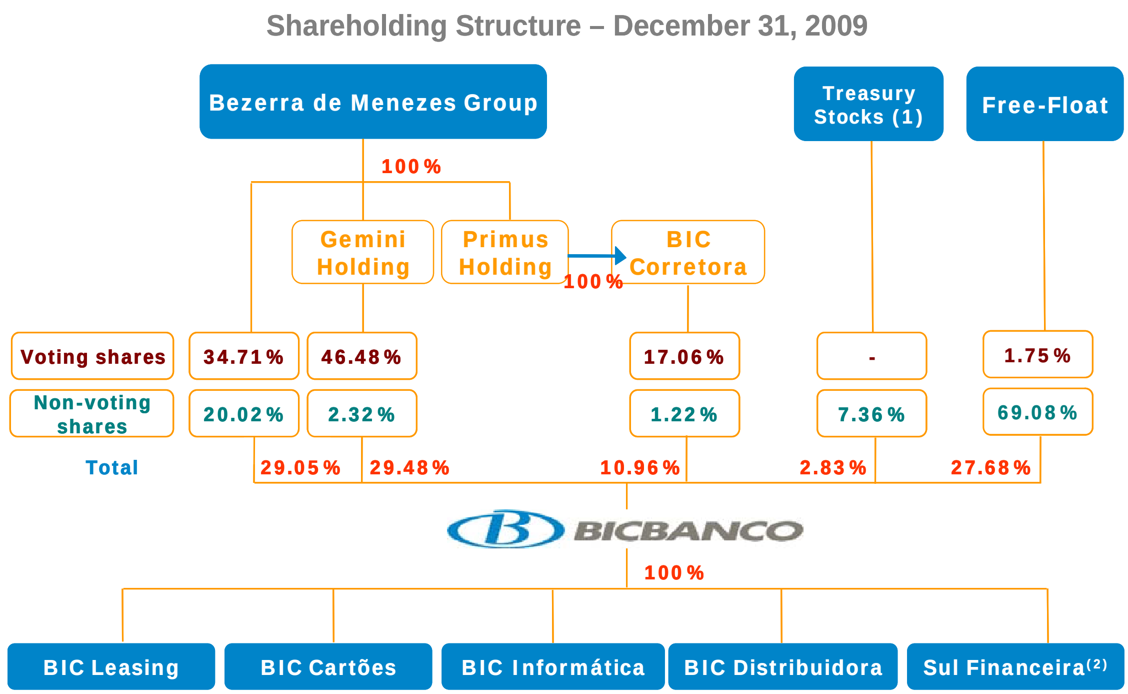
To maintain the efficiency of its operational activities, the Bank intends to maintain close control over its operating costs by investing in technological improvements, training its employees and strictly monitoring its internal controls.

Corporate Structure

Currently, the Bank is controlled by Primus Holding and a few members of the Bezerra de Menezes family. The Bezerra de Menezes family currently owns 98.3% of the Bank's shares with voting rights and 69.5% of its total capital stock.

BIC Corretora was organized on April 15, 1985 and was authorized to operate by the Central Bank on July 9, 1985. Currently, it is not operational, and its function is limited to its shareholding in the Bank's capital stock. BIC Corretora is not a member of the BM&FBOVESPA.

The following table shows the Bank's corporate structure as of December 31, 2009:



(1) The amount of Treasury Shares refers to the third buy-back program initiated on March 12, 2009 and limited to 7,633,700 preferred shares.

(2) Acquired as of November 3, 2009, the Central Bank issued conditional approval for the acquisition on April 12, 2010.

The Bank's corporate office is at Avenida Paulista, 1,048, 11th Floor, São Paulo, SP, 01310-100, Brazil, its telephone number is +55 (11) 2173 9190 and its website is http://www.bicbanco.com.br/ir. The information contained on the Bank's website, or that might be obtained via the Bank's website, does not form part of this offering memorandum.

Recent Developments

On March 15, 2010, the Bank executed an Aircraft Operating Lease Agreement with Bladex in the principal amount of U.S.$16.4 million, where Bladex agreed to lease to the Bank an aircraft Challenger 300 Bombardier.

On March 15, 2010, the Central Bank approved as Tier II subordinated debt our November 3, 2009 issuance of 10 year CDBs in the principal amount of R$200 million. As discussed in note 31D of the Bank's financial statements included elsewhere in this offering memorandum, if the Central Bank had approved this transaction as Tier II subordinated debt in 2009, the Bank's Basel Accord ratio would have been 17.62% as of December 31, 2009.

On January 19, 2010, the Bank acting through its Cayman Islands Branch, issued U.S.$275 million notes due January 2013 under its U.S.$1 billion Euro Medium-Term Note Program.

Main Products and Services

The Bank's main clients are companies in the middle market segment (which the Bank defines as companies whose gross annual revenues are between R$50 million and R$500 million, involved in industrial, commercial or service industry activities that generally need short or medium term financing. The products and services the Bank offers its clients include working capital loans guaranteed by accounts receivable, trade finance, on-lending of BNDES funds and structuring of other financial products, time deposits and the financial provision of guarantees. As of December 31, 2009, the Bank had a diversified portfolio of clients in various economic sectors. As a complement to the above-mentioned products and services the Bank also offers leasing and collection services.

A limited part of the Bank's credit portfolio is reserved for its private individual clients in the form of payroll deductible loans to public sector employees, a segment which the Bank has been operating for more than ten years and which has historically had low default rates. As of December 31, 2009, payroll deductible loans, including FIDC's, represented 2.9% of the Bank's total loan portfolio. To increase this segment, the Bank has recently signed a purchase agreement to acquire Sul Financeira, a company specializing in consumer credit loans and financing and loans to small-sized companies. See "─Loan Operations─Loans to private individuals."

Loan operations

Credit to the middle market segment

The Bank's core activity is providing loans to companies in the middle market segment, which represented 88.9% of its revenues from financial operations as of December 31, 2009, 94.3% as of December 31, 2008 and 74.2% as of December 31, 2007.

The Bank's management believes that its expertise in providing loans to middle market segment companies is one of its main competitive advantages. The Bank prioritizes relationships with its clients and closely monitors their businesses and needs. The Bank believes that its flexibility when it comes to evaluating and approving loan operations contributes to its reputation as one of the leaders in providing credit for commerce, industry and service provider companies in the middle market segment.

The Bank offers credit products in *reais* and in foreign currency. As of December 31, 2009, approximately 72.9% of its local currency loan operations are short term, with maturity dates between three and twelve months. Foreign currency loans are basically related to trade finance operations and to a lesser extent, to on-lending operations within the terms of Resolution No. 2,770, enacted by the Central Bank on August 30, 2000, or CMN Resolution No. 2,770. On March 23, 2010, the Central Bank enacted Resolution No. 3,844, which replaced CMN Resolution No. 2,770.

	Fiscal year ended December 31,					
Loan Portfolio by Maturity	**2009**	**% of Total**	**2008**	**% of Total**	**2007**	**% of Total**
	(In R$ millions, except for percentages)					
Up to 3 months	3,080.2	33.8%	3,687.5	45.7%	3,126.1	41.0%
From 3 to 12 months	3,570.2	39.1%	2,674.4	33.2%	3,871.0	37.7%
Over 1 year	2,308.2	25.3%	1,578.4	19.6%	1,567.0	20.6%
Past due as of 15 days	160.4	1.8%	176.1	1.5%	53.8	0.7%
Total Portfolio	**9,119.2**	**100.0%**	**8,066.4**	**100.0%**	**7,617.9**	**100.0%**

As of December 31, 2009, loans in *reais* represented 80% of its total credit portfolio and in foreign currency represented 20% basically related to trade finance operations. As of December 31, 2008, loans in *reais* represented 76% of its total credit portfolio and in foreign currency represented 24% related to trade finance operations. As of December 31, 2007, loans in *reais* represented 79.1% of its total credit portfolio and in foreign currency represented 20.6% of which R$1,590 million basically related to trade finance operations.

Distribution of the credit portfolio by type of operation

With the aim of financing the day-to-day activities of the Bank's clients' businesses, its credit operations are divided into short- and medium-term operations, in accordance with the specific needs of each client. The most common forms of short-term operations are the so-called secured accounts and working capital loans. These operations are secured by the borrowers' accounts receivable. In addition, loans may also be secured by bank guarantees, promissory notes issued by the borrower or by third parties, credit rights, trade acceptance bills, liens on liquid assets, mortgages or checks. Historically, these operations have a very low default rate when compared to traditional loans because the Bank allocates loans to a large number of borrowers and seeks to ensure that the collateral backing these loans is of good quality. The Bank believes its credit policy is conservative and the Bank reviews the credit risk of its clients annually, in the case of middle market segment companies and semi-annually, in the case of larger companies. Each time the Bank provides credit it carries out a new risk assessment.

The following table shows the distribution of the Bank's consolidated credit portfolio by type of operation, as of December 31, 2009, 2008 and 2007:

	As of December 31,					
	2009	% of Total	2008	% of Total	2007	% of Total
	(In R$ millions, except percentages)					
Working capital and discounts	5,352.1	58.7	4,395.7	54.5	4,038.6	53.0
Secured accounts	934.6	10.2	873.7	10.8	1,007.9	13.2
Consigned personal credit	265.3	2.9	378.9	4.7	477.4	6.2
Personal credit	27.8	0.3	82.2	1.0	156.9	2.1
Consigned personal – assigned operations	0.7	0.0	5.9	0.1	27.3	0.4
Import financing	374.6	4.1	581.0	7.2	463.4	6.1
Export financing	544.4	6.0	734.0	9.1	221.7	2.9
BNDES on-lending	0.7	0.0	6.5	0.1	38.5	0.5
Rural and agro-industrial financing	140.8	1.5	12.7	0.2	15.8	0.2
Other loans and financing	325.0	3.6	253.3	3.1	265.4	3.5
Subtotal	**7,966.0**	**87.4**	**7,323.9**	**90.8**	**6,712.9**	**88.1**
Lease operations	228.9	2.5	115.8	1.4	19.2	0.3
Advance on foreign exchange contracts	905.8	9.9	618.2	7.7	905.0	11.9
Other receivables	19.1	0.2	14.4	0.2	8.1	0.1
Other credits	**1,153.8**	**12.7**	**748.4**	**9.3**	**932.3**	**12.3**
Subtotal	**9,119.8**	**100.0**	**8,072.3**	**100.1**	**7,615.2**	**100.4**
Assigned operations with co-obligation	(0.7)	0.0	(0.7)	(0.1)	(27.3)	(0.4)
Total credit portfolio	**9,119.2**	**100.0**	**8,066.4**	**100.0**	**7,617.9**	**100.0**

Distribution of the credit portfolio by activity

The following table shows the diversification of the Bank's credit portfolio by activity, as of December 31, 2009 and 2008:

	Year ended December 31,					
	2009	% of Total	2008	% of Total	2007	% of Total
	(In R$ millions, except for percentages)					
Public sector	**238.2**	**2.6**	**273.8**	**3.4**	**241.9**	**3.2**
Federal Government	2.0	0.0	44.5	0.6	78.9	2.1
State Government	235.3	2.6	217.7	2.7	158.5	1.0
Municipal Government	0.9	0.0	11.6	0.1	3.9	0.1
Private sector						
Industry	**4,171.3**	**45.7**	**3,930.9**	**48.7**	**3,661.7**	**48.1**
Earthworks and construction	1,086.4	11.9	789.3	9.8	739.3	9.7
Sugar and alcohol refinery	782.7	8.6	875.9	10.9	711.4	9.3
Production of flour, pasta, cakes and biscuits	324.6	3.6	296.5	3.7	242.1	3.2
Other segments of the "industrial sector"	1,977.6	21.7	1,969.2	24.4	1,968.9	25.8
Other services	**3,004.3**	**32.9**	**2,323.7**	**28.8**	**1,890.3**	**24.8**
Medical and dental services	418.2	4.6	404.8	5.0	370.7	4.9
Passenger and cargo transportation	425.3	4.7	296.0	3.7	251.3	3.3
Holdings in general	107.9	1.2	133.1	1.7	83.3	1.1
Other segments of "other services"	2,052.9	22.5	1,489.8	18.5	1,185.0	15.6
Commerce	**1,114.4**	**12.2**	**811.8**	**10.1**	**900.1**	**11.8**
Trading companies	51.1	0.6	37.4	0.5	49.2	0.6
Supermarkets and wholesalers	277.7	3.0	89.7	1.1	141.5	1.9
Commerce of machinery and equipments	23.9	0.3	46.3	0.6	109.8	1.4
Vehicle dealerships and sale yards	116.0	1.3	140.6	1.7	107.0	1.4
Other segments of the "commercial sector"	645.5	7.1	497.8	6.2	492.6	6.5
Financial intermediation	**52.4**	**0.6**	**96.8**	**1.2**	**193.1**	**2.5**
Agribusiness	**156.5**	**1.7**	**141.0**	**1.7**	**82.4**	**1.1**
Individuals	**382.1**	**4.2**	**488.4**	**6.1**	**648.9**	**8.5**
Total	**9,119.2**	**100.0**	**8,066.4**	**100.0**	**7,617.9**	**100.0**

The provision of credit for companies in the industrial sector has been one of the Bank's main focuses. As of December 31, 2009, these operations accounted for 45.7% of its total credit portfolio. This percentage corresponded to 48.7% as of December 31, 2008, 48.1% as of December 31, 2007.

The Bank extended credit to companies in the services industry sector, including medical and dental service providers, passenger and cargo transportation, technical and professional services, hotels, restaurants and schools. As of December 31, 2009, these operations amounted to R$3,004.3 million, representing 32.9% of its total portfolio. As of December 31, 2008 and 2007 they amounted to R$2,323.7 million and R$1,890.3 million, respectively, representing 28.8% and 24.8% of its total portfolio, respectively.

The Bank also extended credit to companies in the commercial sector, including trading companies, supermarkets and wholesalers, vehicle dealerships and sale yards and others. As of December 31, 2009, these operations amounted to R$1,114.4 million, representing 12.2% of its total portfolio. As of December 31, 2008 and 2007 they amounted to R$811.8 million and R$900.1 million, respectively, representing 10.1% and 11.8% of its total portfolio, respectively.

Financial intermediation, which comprises mostly on-lending of BNDES funds, amounted to R$52.4 million as of December 31, 2009, corresponding to 0.6% of the Bank's loan portfolio, while it amounted to R$96.8 million and R$193.1 million as of December 31, 2008 and 2007, respectively.

The Bank provides loans for small, medium and large companies in the agricultural and livestock sector for investment in rural production.

The Bank also extends credit, generally working capital loans backed by accounts receivable, to public sector companies. Among these companies, the most relevant are those whose activities are the generation, transmission and distribution of electricity, sanitation and petrochemicals. Loans for public sector companies amounted to R$238.2 million as of December 31, 2009, representing 2.6% of its total credit portfolio. As of December 31, 2008 and 2007 these loans amounted to R$273.8 million and R$241.3 million, respectively, representing 3.4% and 3.2% of its total portfolio, respectively.

Trade finance

The Bank is one of the most active medium-sized banks in trade finance and foreign exchange operations. In recent years, international market conditions have favored Brazilian exports, which have allowed the Bank to take advantage of the business opportunities arising from the increased export activity by extending financing to its clients in the middle market segment. The activities relating to Brazilian imports are no less important, where the Bank occupies a significant position among its competitors in this segment. In light of the global financial crisis beginning in the second half of 2008, however, the volume of trade finance transaction has been reduced. As of December 31, 2009, the Bank's trade finance portfolio represented 20% of its total loan portfolio, compared to 25% as of December 31, 2008.

In order to meet the demand from its clients for the various types of trade finance and due to the volumes that are necessary to increase its activities, the Bank relies on trade finance lines from several correspondent banks from all over the world, some of which the Bank has had a relationship with for more than 10 years.

For trade finance operations and working capital loans, the Bank relies on funds and guarantees from multilateral bodies like the IADB, IIC and IFC and the Eximbank of the Republic of China –Taipei. Among the medium-sized banks the Bank was the pioneer in obtaining guarantees from the IFC and the IADB.

In addition to the above-mentioned trade finance lines, the Bank has access to medium-term trade finance lines, for example those from the Eximbank of the United States, Hermes Kreditversicherungs AG *(German Insurance and Export Credit Agency)*, the EDC of Canada (*Export Development Corporation)*, the CCC of the United States (*Commodity Credit Corporation)* and U.S. insurance companies, like the FCIA *(Foreign Credit Insurance Association)*, ACE Global Markets, AIG (*American International Group—Global Trade & Political Risks),* the EIC (*Exporters Insurance Corp.)* and the HCC (*Houston Casualty Co*.).

The Bank believes these relationships with correspondent banks and the credit lines it secures give it a competitive advantage over its competitors when it comes to providing trade finance lines.

The Bank applies the same control and credit approval policies to foreign trade financing operations as it does to other types of corporate loan operations.

With regard to the Bank's trade finance operations, its default rate is even lower than for its other credit operations, even though these operations also have low default indices. As of December 31, 2008, the default percentage of its trade finance operations (more than 15 days overdue) corresponded to 1.9%, and as of December 31, 2009, this default percentage was 1.3%.

The following multilateral organizations are currently guaranteeing the Bank's trade finance operations as of December 31, 2009:

	Original amount (U.S.$ millions)	Disbursement Date	Term	Current balance (in R$ millions)	Current balance (in U.S.$ millions)
Guarantees for trade finance operations					
IADB	40.0	June 2005	—	25.6	14.7
IFC	100.0	February 2006	—	125.1	71.9
Total				**150.7**	**86.6**

Leasing

The Bank's subsidiary company, BIC Leasing, was set up to carry out leasing operations for commercial vehicles, industrial machinery and equipment. For further information about BIC Leasing, see "—Subsidiaries and Affiliates—BIC Leasing."

The following table gives information about BIC Leasing's portfolio as of and for the years ended December 31, 2009, 2008 and 2007:

	As of and for the year ended December 31,		
	2009	2008	2007
	(in R$ millions, except percentages)		
Leasing operations	230.9	123.5	19.2
Provisions	(5.2)	(3.0)	(0.2)
Total assets	343.1	205.2	71.9
Net shareholders' equity	128.7	67.8	64.1
Profit	10.8	3.7	5.0

The Bank aims to ensure that funding for its leasing operations matches the leasing contracts offered to its customers, pursuant to its policies of avoiding mismatches in its financing.

BIC Leasing funds its operations mainly by the issuance of debentures in the local market. The proceeds of the debentures are used to purchase its CDIs. Historically, such funding via CDIs, along with share capital increases made by the Bank, has been sufficient for BIC Leasing to finance its own leasing portfolio.

Cayman Islands Branch

On February 4, 2002, the Bank founded its offshore branch in the Cayman Islands. In accordance with the requirements of *Part IX* of the *Companies Law (2009 Revision)* and the *Banks and Trust Companies Law (2007 Revision)* of the Cayman Islands, the Cayman Islands Branch was registered and admitted with an unrestricted, Class B banking license. A Class B license allows the Cayman Islands Branch to transact all types of banking business, except accepting deposits from Cayman Islands' residents and investing in any type of asset that might represent any claim vis-à-vis any resident of the Cayman Islands. Furthermore, all relevant approvals for establishing and operating the Cayman Islands Branch were granted by the Brazilian authorities.

As of December 31, 2009, the shareholders' equity of the Cayman Islands Branch was R$70.3 million and its total assets were R$1,244.2 million. As of December 31, 2008, the Cayman Islands Branch's shareholders' equity was R$735 million and total assets of R$1,882.8 million. As of December 31, 2007, the shareholders' equity of the Cayman Islands Branch was R$47.4 million and its total assets were R$417.7 million. This increase in the

Cayman Islands Branch total assets is a result of the international funding obtained via such branch. That funding which was transferred to Brazil is reflected in the consolidated balance sheet of the Bank.

The Cayman Islands Branch was founded with the goal of helping its Head Office with structured trade finance operations, the provision of loans and private banking. The Branch has not been involved in any litigation, arbitration or administrative proceedings since it was set up on February 4, 2002.

Paulo Celso Del Ciampo, Executive Director of the Bank's International Division, is responsible for all the international operations of the Cayman Islands Branch, which, like any other of the Bank's operations, must be approved by the Executive Credit Committee. The Bank's Brazilian operation provides general support for the business needs of its Cayman Islands Branch.

On-lending of BNDES funds

As a financial institution authorized by BNDES, the Bank operates as on-lending agent as part of the BNDES program for expanding and modernizing the business of Brazilian corporate loan borrowers. The funds are provided to the Bank through FINAME, or directly by BNDES, for medium- to long-term lending to selected companies and sectors within Brazilian government support programs (which are subsidized).

BNDES funds provide more favorable financing conditions as they are characterized by longer repayment periods (average of five years) and lower interest rates when compared to conventional credit lines offered by private commercial banks. As an agent for these funds the Bank assumes its clients' credit risks (subject to its usual credit assessment process) and the Bank is remunerated by a risk spread (*del credere*) commission.

As of December 31, 2009, 0.02% of its total portfolio corresponded to BNDES on-lendings. As of December 31, 2008, 0.1% of its total portfolio corresponded to BNDES on-lendings, while as of December 31, 2007, this percentage was 0.5%. Revenues amounted to R$1.0 million in the year ended December 31, 2009 and R$3.0 million in 2008, compared to R$8.3 million in 2007. This gradual drop in its BNDES on-lendings started in 2005, motivated initially by the definition of general operating limits by BNDES for its on-lending agents, and also by the Bank's decision to direct its efforts to obtain credit assets that are better remunerated and are better suited to its business, particularly with regard to maturities and to risk.

Loan concentration

The loans provided to the Bank's 20 largest borrowers amounted to R$1,207.3 million as of December 31, 2009 and represented 13.3% of the Bank's total portfolio. On the same date the Bank's 10 largest borrowers represented 10.6% of its total portfolio and were divided between various sectors. See "Selected Statistical Information—Credit Concentration." The Bank aims to diversify its credit risk according to the following premises: (i) its largest borrower may not account for more than 10% of its reference shareholders' equity; (ii) its 10 largest borrowers may not account for more than 50% of its reference shareholders' equity; and (iii) amounts due by its 20 largest borrowers cannot be greater than 70% of its reference equity. As of December 31, 2009, the Bank's reference net equity was R$1,961.0 million. As of December 31, 2008, the Bank's reference net equity was R$2,006.2 million and, as of December 31, 2007, it was R$1,770.1 million.

Loans to private individuals

The Bank provides loans for private individuals, mainly public sector employees, in the form of payroll deductible loans. The Bank believes this type of loan carries low default risks due to the fact that borrowers grant their employers' authorization to deduct interest and/or installments for repaying loans from their bank accounts and such payments fall due on the same date as payrolls are deposited in the borrowers' accounts. Payroll deductible loans amounted to R$265.3 million as of December 31, 2009, representing 2.9% of its total credit portfolio. As of December 31, 2008 and 2007, these loans amounted to R$378.9 million and R$477.4 million, respectively, representing 4.7% and 6.3% of its total portfolio, respectively.

On October 30, 2009, the Bank signed a purchase agreement to acquire 100% of Sul Financeira, a company headquartered in the City of Porto Alegre, that provides loans to individuals (including payroll deductible loans, consumer credit and vehicle financing) and small-sized companies (including discounted trade receivables). Sul

Financeira has two subsidiaries, Sul Financeira Promotora de Vendas Ltda. and Sul Financeira Cobrança Ltda., and 72 employees. Sul Financeira has negative shareholders' equity in an amount of R$100.9 million. The purchase agreement provides that the Bank will acquire Sul Financeira for R$1.00. The Central Bank issued a conditional approval for the acquisition on April 12, 2010. The approval is conditioned on the Bank capitalizing Sul Financeira in the amount of R$150 million. The Bank is working to implement its risk assessment policies and procedures at Sul Financeira so that it is able to capitalize Sul Financeira as permitted by applicable regulations and commence operations. The Bank will not acquire the portfolio of Sul Financeira pursuant to the terms of the purchase agreement.

This acquisition is in line with the Bank's strategy to create a separate platform to expand its loan activities to retail and small-sized companies, while maintaining the Bank's main focus on the middle-market segment. The Bank does not, however, expect Sul Financeira to represent more than 10% of the Bank's consolidated results for the next two years.

Average term of the Bank's loans

The following table shows the Bank's credit portfolio classified by term as of December 31, 2009, 2008 and 2007:

	As of December 31,					
	2009	% of Total	2008	% of Total	2007	% of Total
	(In R$ millions, except percentages)					
Maturity						
due within 3 months	3,080.3	33.8	3,687.5	45.7	3,126.1	41.0
due from 3 to 12 months	3,570.2	39.1	2,674.4	33.2	2,871.0	37.7
due over 1 year	2,308.2	25.3	1,578.4	19.6	1,567.0	20.6
overdue (from 15 days on)	160.5	1.8	126.1	1.5	53.8	0.7
Total	**9,119.2**	**100.0**	**8,066.4**	**100.0**	**7,617.9**	**100.0**

The Bank adopts the classification established by CMN Resolution No. 2,682 to classify loan losses, which indicates that financial institutions must classify their credit as AA, A, B, C, D, E, F, G or H in accordance with their level of risk. These credit classifications are determined in accordance with criteria established by the Central Bank and include the financial situation of the borrower, the type of guarantee and the amount of the loan. For more information about the classification of credit, see "Brazilian Banking System and Industry Regulation."

As of December 31, 2009, 91.8% of the Bank's credit was classified in the top levels (categories AA to C) and as of December 31, 2008 and 2007, this percentage was 95.3% and 97.3%, respectively.

The following table gives information about the Bank's consolidated credit classifications as of December 31, 2009, 2008 and 2007:

	As of December 31,					
	2009	% of Total	2008	% of Total	2007	% of Total
	(In R$ millions, except percentages)					
Risk level						
AA	525.8	5.8	1,035.9	12.8	1,029.5	13.5
A	4,001.7	43.9	3,457.5	42.9	3,689.0	48.4
B	2,810.2	30.8	2,543.1	31.5	2,037.4	26.7
C	1,028.5	11.3	650.6	8.1	688.6	9.0
D	222.9	2.4	159.4	2.0	109.8	1.4
E	142.2	1.6	38.5	0.5	16.7	0.2
F	162.5	1.8	118.8	1.5	15.3	0.2
G	105.6	1.2	8.3	0.1	22.6	0.3
H	119.7	1.3	54.3	0.7	36.3	0.5
Total	**9,119.2**	**100.0**	**8,066.4**	**100.0**	**7,645.2**	**100.2**

Allowance for loan losses

The Central Bank defines the minimum allowance necessary for each level of risk classification, which is measured as a percentage of the total amount of loans. Currently the Bank meets all Central Bank requirements relative to such operations.

The following table shows the allowance for loan losses, on a consolidated basis, as of December 31, 2009, 2008 and 2007:

	As of December 31,		
	2009	2008	2007
	(In R$ millions, except percentages)		
Opening balance	**310.9**	**133.2**	**91.7**
Constitution/Reversal	231.8	277.3	138.7
Write-off	(123.8)	(99.7)	(97.1)
Closing balance	**418.8**	**310.9**	**133.3**
Recovered loans	37.8	25.9	21.5
Renegotiated loans	185.7	47.4	40.3
Balance at end of period as a percentage of loan portfolio	4.6%	3.9%	1.8%

Foreign exchange operations

The Bank is authorized by the Central Bank to operate in the foreign exchange market, in which the Bank actively participates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Exchange Rates."

The table below summarizes the balances of the Bank's loan portfolio, as disclosed in its financial statements for the relevant periods, and includes the import, export, interbank (spot), arbitrage and interdepartmental operations.

	As of December 31,		
	2009	2008	2007
		(In R$ millions)	
Assets	**973.9**	**1,528.0**	**1,141.6**
Foreign exchange purchased to settle	943.9	1,268.4	1,072.7
Advances received in foreign currency	(0.4)	—	(0.3)
Bills of exchange in foreign currency	—	—	0.3
Rights from sale of foreign exchange	31.5	248.8	92.6
Advances received in local currency	(23.6)	(17.1)	(50.4)
Income receivable from advances on foreign exchange contracts	22.5	27.9	26.7
Liabilities	**135.1**	**631.9**	**314.9**
Foreign exchange sold to settle	31.3	247.6	92.4
Financed imports—contracted foreign exchange	(1.2)	(13.0)	(43.5)
Liabilities from foreign exchange purchases	988.2	987.4	1,144.1
Advances on foreign exchange contracts	(883.4)	(590.3)	(878.3)
Foreign currency liabilities	0.2	0.2	0.2

Both activities related to trade finance as well as those related to negotiations of the Bank's treasury are important businesses for the Bank. As of December 31, 2008, the total volume of the Bank's foreign exchange transactions related to exports reached R$1,479.6 million against R$635.1 million in connection with imports. As of December 31, 2007, the total volume of the Bank's foreign exchange transactions related to exports corresponded to R$1,172.7 million against R$543.1 million in connection with imports. As of December 31, 2009, the total volume of the Bank's foreign exchange transactions related to exports reached R$1,474.6 million against R$635.1 million in connection with imports. As of December 31, 2008, the total volume of the Bank's foreign exchange transactions related to exports corresponded to R$1,479.6 million against R$635.1 million in connection with imports.

The table below sets forth the balances of trade finance, letters of credit for import, interbank (spot) and arbitrage operations, as of and for the periods indicated:

	As of December 31,					
	2009	% of Total	2008	% of Total	2007	% of Total
	(In R$ millions, except percentages)					
Imports	**635.1**	**30.1**	**614.0**	**29.3**	**543.1**	**31.7**
- Import Financing	374.6	17.8	581.0	27.8	463.4	27.0
- Letters of credit for import operations	260.5	12.3	32.9	1.6	79.7	4.6
Exports	**1,474.6**	**69.9**	**1,479.6**	**70.7**	**1,172.7**	**68.3**
- Export Financing	544.4	25.8	734.0	35.1	221.7	12.9
- Advances on foreign exchange contracts (ACC)	905.8	42.9	618.2	29.5	905.0	52.7
- Interbank and arbitrage operations	24.4	1.2	127.4	6.1	46.0	2.7
Total	**2,109.7**	**100.0**	**2,093.6**	**100.0**	**1,715.8**	**100.0**

The Bank's foreign exchange transactions are mostly composed of funds payable to it resulting from exchange contracts negotiated with clients. In general, the Bank's exchange contracts result from the creation of an asset (foreign currency to be delivered to the Bank at a future date) and a liability (foreign currency to be delivered by the Bank at a future date).

The result of the Bank's foreign exchange transactions, which includes basically income from export operations (advances on exchange contracts) and other operating income, such as interbank (spot) and arbitrage operations, amounted to R$92.2 million in 2009, R$76.3 million in 2008 and R$67.1 million in 2007.

Taking into consideration expenses related to variation of interest rates, the Bank's foreign exchange transactions resulted in a loss of R$122.9 million in the fiscal year ended December 31, 2007, a gain of R$405.2 million in the fiscal year ended December 31, 2008 and a loss of R$151.0 million in the fiscal year ended December 31, 2009 as shown in the table below:

	Year ended December 31,		
	2009	2008	2007
		(In R$ millions)	
Income from foreign exchange operations	94.3	83.0	72.2
Expenses with foreign exchange operations	(2.1)	(6.7)	(5.1)
Subtotal	**92.2**	**76.3**	**67.1**
Foreign Exchange variations	(243.2)	328.9	(190.0)
Foreign exchange results	**(151.0)**	**405.2**	**(122.9)**

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Financial Condition and Operating Results—Changes in inflation rates, interest rates, exchange rates and compulsory deposits—Exchange Rates."

Treasury operations

The Bank's treasury unit is responsible for managing its cash flow, including the raising of funds in local currency, for managing the mismatch between its assets and liabilities, and for protecting possible gaps in terms to maturities or currencies against market fluctuation through financial instruments negotiated in the main clearing houses (BM&FBOVESPA and CETIP – *Câmara de Custódia e Liquidação*).

In addition, the Bank employs the treasury unit to provide financial products to clients who need hedges or other structured operations by using its expertise in the financial markets to deliver products that minimize its clients' exposure to market risks.

The Bank adopts a conservative policy, especially in the provision of these services to its clients. The Executive Treasury Committee is responsible for outlining strategies relating to proprietary positions, as well as setting the exposure levels that amount to risks in relation to market volatility. The Bank uses modern risk management instruments to reinforce its decisions.

As part of its strategy, the Bank intends to broaden its product portfolio by offering new treasury financial products and services to both existing and potential clients.

Repurchase agreements

The Bank trades securities on behalf of clients in the branch network. Traded securities include Brazilian government bonds, derivative financial instruments and financed purchases and repurchase agreements. In relation to government bonds, the Bank intermediates their final sale as well as providing for the financing (sale) of its own portfolio to financial institutions and companies at fixed dates and amounts for repurchase. These repurchase agreement operations enable the Bank to obtain financial gains arising from the difference between the cost of financing and the income arising from these government bonds, generally added by premiums upon their primary placement. The Bank does not contract or offer its clients any leveraged derivative transactions.

As shown in the table below, although the consolidated asset (which generates income) and consolidated liability (which generates expenses) amounts are high, such operations do not cause a significant impact in the Bank's results.

	As of December 31,		
	2009	2008	2007
		(In R$ millions)	
Securities and derivative financial instruments subject to resale commitments- "Repos"	14.6	1.8	1,352.0
Money market repurchase commitments	14.6	1.8	1,348.7
Income from repurchase operations	3.2	29.3	144.5
Expenses from repurchase operations	(3.0)	(29.8)	(143.0)
Result from money market operations (repurchase agreements)	**(0.4)**	**(0.4)**	**1.5**

For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Funding

The Bank funds its operations in both local and foreign currency. The table below provides details of its consolidated sources of funding as of December 31, 2009, 2008 and 2007:

	As of December 31,					
	2009	% Total	2008	% Total	2007	% Total
Customer deposits						
Demand deposits	368.3	4.3	114.1	1.3	112.9	1.6
Savings deposits	11.8	0.1	175.6	2.0	227.9	3.3
Time deposits	4,918.2	56.8	3,816.3	43.2	3,832.5	55.1
Total deposits	**5,298.3**	**61.2**	**4,106.0**	**46.5**	**4,173.3**	**60.0**
Interbank funding						
Interbank deposit	513.0	5.9	338.0	3.8	239.0	3.4
-FIDC	171.5	2.0	201.1	—	—	—
Total interbank funding	**684.5**	**7.9**	**539.2**	**6.1**	**239.0**	**3.4**
Government sources						
Borrowings and on-lending	32.6	0.38	9.4	0.1	45.7	0.7
Total government sources	**32.6**	**0.38**	**9.4**	**0.1**	**45.7**	**0.7**
(Bonds) Debentures						
Funds obtained from the issuance of debentures	88.7	1.0	112.1	1.3	—	—
Foreign sources						
Securities issued abroad	736.1	8.5	1,296.0	14.7	713.8	10.4
Foreign funding	1,470.4	17.0	2,283.5	25.9	1,549.8	22.4
Foreign on-lending	350.5	4.0	483.0	5.5	214.7	3.1
Total foreign sources	**2,556.9**	**29.5**	**4,062.6**	**46.0**	**2,478.3**	**35.9**
Total	**8,661.0**	**100.0**	**8,829.3**	**100.0**	**6,936.3**	**100.0**

Funding in reais

Time deposits represent the Bank's main source of funding in *reais*. Additional funding sources in *reais* include demand deposits and, to a lesser extent, savings and interbank deposits. Funds from on-lending activities are obtained from governmental bodies.

As of December 31, 2009, the Bank's total funding from time deposits was R$4,918.2 million, 63.2% of which was from corporate clients. As of December 31, 2009, 19.5% of the Bank's time deposits matured within three months, 37.6% from three months to one year and 37.6% from one to three years. For further details regarding the breakdown of time deposits, see note 17 to the Bank's financial statements of December 31, 2009.

As of December 31, 2008, the Bank's total funding from time deposits was R$3,816.3 million, 68.0% of which was from corporate clients. As of December 31, 2008, 26.3% of the Bank's time deposits matured within three months, 22.7% from three months to one year and 48.7% from one to three years. For further details regarding the breakdown of time deposits, see note 17 to the Bank's financial statements as of and for the year ended December 31, 2008.

In July 2008, the Bank launched its first series of senior quotas in the total amount of R$200 million and subordinated quotas in the amount of R$50 million, under its second FIDC. The underlying receivables used in the FIDC were credits from specific loans to health-care providers. The Bank may make additional credit assignments to each FIDC over a period of time. The timing and amount of each credit assignment depend on the Bank's assessment of the relevant market conditions and the availability of receivables eligible to be acquired by each FIDC.

In March 2008, the Bank launched its first series of senior quotas in the total amount of R$150 million and subordinated quotas in the amount of R$50.4 million, under a FIDC. The underlying receivables used in the FIDC were payroll deductible credits. For further information regarding this FIDC, see notes 2, 3 and 8 to the Bank's financial statements as of and for the year ended December 31, 2008.

As of December 31, 2007, the Bank's total funding from time deposits was R$3,832.5 million, 61.1% of which was from corporate clients. As of December 31, 2007, 25.3% of the Bank's time deposits matured within three months, 25.1% from three months to one year and 47.8% from one to three years. For further details regarding the breakdown of time deposits, see note 17 to the Bank's financial statements as of and for the year ended December 31, 2009 and 2008.

In March 2007, the Bank entered into a financing agreement with the IFC, denominated in *reais*, for the total amount of R$82.4 million, which was disbursed to the Bank in March 2007 and which is due in July 2012.

Funding in foreign currency

On April 23, 2008, the Bank, acting through its Cayman Islands Branch, raised U.S.$130 million through the issue of its Series 4 notes under its U.S.$1 billion medium-term note program. A second tranche of its Series 4 notes in the amount of U.S.$50 million was issued on May 19, 2008. On January 19, 2010, the Bank through its Cayman Islands Branch, issued U.S.$275 million of its Series 5 notes.

As of December 31, 2009, total funding in foreign currency amounted to R$2,556.9 million, or 29.5% of total consolidated funding, of which R$736.1 million was represented by notes issued abroad. As of December 31, 2008, total funding in foreign currency amounted to R$4,062.6 million, or 46.0% of total consolidated funding (as compared to R$2,478.3 million, or 35.7%, as of December 31, 2007. Funds have been mainly used to finance loans denominated in *reais* or in foreign currency.

The Bank provides on-lendings of its foreign denominated debt (securities and/or loans) to its customers as provided by CMN Resolution No. 2,770.

The tables below show details on the Bank's consolidated funding for loans denominated in a foreign currency:

	As of December 31, 2009					
	Issue date	Maturity	Rate (coupon)	Issue amount (In U.S.$ millions)	Current balance (In R$ millions)(1)	Current balance (In U.S.$ millions)
Subordinated debt	03/03/06	10 years	9.75%	120.0	216.4	124.3
Euro Medium-Term Notes Program (U.S.$1 billion)	04/23/08 and 05/19/08	2 years	7%	180.0	317.6	182.4
Total				**300.0**	**534.0**	**306.7**

				As of December 31, 2009	
	Original amount (In U.S.$ millions)	Disbursement date	Maturity	Current balance (In R$ millions)(2)	Current balance (In U.S.$ millions)
IADB/ IIC (A/B Loans)					
IADB – A/B Loan Trade	35.0	December 2009	1 year	61.3	35.2
IADB – A Loan	20.0	June 2007	5 years	35.2	20.2
IADB – B Loan	80.0	June 2007	3 years	140.5	80.7
IADB – B Loan	90.0	August 2009	3 years	158.2	90.9
IIC – A Loan	10.0	July 2009	2 years	13.1	7.5
Total				**408.3**	**234.5**

				As of December 31, 2009
	Original amount (In R$ millions)	Disbursement Date	Term	Current balance (In R$ millions)(2)
IFC Note	82.4	March 2007	5.4 years	85.4
IFC Note	48.9	December 2009	5.3 years	49.2

				As of December 31, 2009	
Guarantee for trade finance operations	Original amount (In U.S.$ millions)	Disbursement Date	Term	Current balance (In R$ millions)	Current balance (In U.S.$ millions)
IADB	40.0	June 2005	—	25.6	14.7
IFC	100.0	February 2006	—	125.1	71.9
Total				**150.7**	**86.6**

				As of December 31, 2009	
Trade Syndication	Original amount (In U.S.$ millions)	Disbursement Date	Term	Current balance (In R$ millions)(2)	Current balance (In U.S.$ millions)
Tranche B	45.0	March 2008	2 years	79.6	45.7

Notes:

(1) Includes interest rates and taxes.

(2) Includes interest rates.

Policies of Credit Granting and Risk Management

Credit policies

The Bank seeks to maintain the quality of its assets through strict internal controls on credit, obtaining sufficient guarantees to back its loans, periodically reviewing the credit status of its clients (through the assignment of ratings, in compliance with CMN Resolution No. 2,682) and the diversification of its credit portfolio.

The controls required for maintaining the Bank's credit portfolio are defined by its formally established Internal Controls Committee, which meets every 15 days in order to evaluate existing controls, and propose new controls based on experience or derived from market examples.

The Bank's credit policies are defined and monitored by its Executive Credit Committee, which meets daily for approving proposals submitted by its service outlets and discusses the additional conditions based on credit amounts and clients.

The Bank's internal procedures for approving credit are mainly based on criteria relating to borrowers and their capacity to repay the financing. The Bank believes that an essential aspect of controlling credit quality is to take decisions based on the uniform adoption of rational and analytical criteria.

In order to speed up the credit approval process, the Bank developed an electronic system named Credit Management System (SGC) in September 1999. The Bank believes that the implementation of this system, which is periodically and technically updated, improves its credit process as a whole, enhancing efficiency and provides its clients with a new credit approval process that is increasingly consistent, transparent and fast.

Credit granting

All credit proposals for the Bank's clients start from its service outlets by means of its SGC integrated system, which comprises all client registration and financial information. In the first stage of the approval process, the manager in charge enters the proposed conditions into its system, including guarantees. The manager is not permitted to grant credit that does not comply with its credit policies. Additionally, the Bank's system rejects proposals from clients whose credit history is not satisfactory or based on other factors that may contribute to the client's default, such as external restrictions as debts overdue at the Central Bank's central risk system, financial restrictions, protests and foreclosures as indicated by the Serasa bureau. Serasa is an international economic and financial database and is the holder of one of Latin America's largest firms that analyses and provides information on data on individuals, businesses and other corporate entities.

Should the proposal be approved by the system in the first stage of credit approval, it is forwarded to the superintendent assigned to the branch, with a favorable opinion from the manager. The superintendent will analyze the proposal and may approve, refuse or amend it. Once approved and/or amended and approved by the superintendent, the proposal is forwarded for technical analysis, which includes a technical opinion of the product. The proposal's feasibility is verified in relation to its compliance with business rules and the technical opinion, where the credit manager defines the adequacy of the proposed business in relation to the company's financial condition, in addition to the suitability and adequacy of the provided collateral.

Upon completion of the technical analysis, the credit superintendent forwards the proposal and opinions to the regional director through its SGC system. From this point, in addition to the ability to approve, change or refuse the granting of credit, the regional director has autonomy to directly approve transactions of amounts within its limits (the limit is currently equivalent to R$300,000 for transactions backed by receivables and R$50,000 for clean transactions), not requiring the highest level for approval. Finally, proposals that require an approval that supersedes the authority of the regional director shall be submitted through its system to the Higher Credit Committee for final approval.

The decision of the Higher Credit Committee is final in determining whether to grant credit or not.

To the extent that the entire approval process takes place electronically through SGC, i.e., virtually, the Bank counts on high-speed telecommunications to meet the high demands of its clients. At the same time, the members of its credit approval body meet daily to coordinate their decisions or clarify any potential doubts.

Another factor that assists in speeding up the approval of credit is the formalization of the Bank's business relationship with certain clients by putting a primary contract in place that provides for fixed conditions for certain types of transactions. Once such conditions are agreed upon, the Bank's branch managers may automatically approve credit for such clients without requiring approval from other levels of authority, except in the following cases: (i) changes in the financial capacity of the client; (ii) problems in the industry in which it operates; (iii) circumstances that may affect the receivables provided as a guarantee; or (iv) review of limits (reduction or cancellation) made by the Credit Executive Committee.

Within the Bank's credit approval procedures, its analysts study the condition of each client in their respective industries and classify them based on a rating criteria set by the Bank. The rating assigned to each client is validated by a senior analyst or credit manager responsible for each classification. For more information on risk ratings, see "Presentation of Financial and Other Information."

Credit administration

Service outlets, based on the examination of the local administrative manager, are responsible for preparing agreements and obtaining client signatures, including verifying signatures and the authority of the parties thereto.

The approval of credit documents is centralized by the Bank's central administration under the coordination of the credit administration department, composed of the following processes: verification, processing and validation, and control.

Verification management is responsible for: (i) evaluating the fulfillment of the conditions provided for in the proposal; (ii) complying with the internal and external rules inherent to the business to be conducted; and (iii) checking the completed agreements, attachments and other administrative instruments.

In order to provide some flexibility to the formal process without undermining its security, the Bank created a Credit Approval Committee, responsible for allowing administration to be postponed to a later date should any irregularities that arise require adjusting.

The Credit Approval Committee is composed of the operations manager, trade notes check management, credit recovery superintendency, credit executive, audit superintendent and the controllership directorship. The audit superintendent and controllership director act as observer and consultant, respectively. This Committee is responsible for resolving possible exceptions during the course of a day and for following up with the fulfillment of terms to be met for compliance purposes as proposed by operating managers.

In order to broaden the capacity and speed up the administration of operations, the administrative management was granted authority for local administration, for credits of up to R$200,000. The training of administrative teams in the Bank's service outlets will allow the Bank to broaden this authority to further increase the speed and security of the administrative process.

The working capital products, which represent most of the Bank's credit in terms of number of transactions and volume, are automatically integrated, from the business proposal to the legacy systems, thus guaranteeing the completeness of data. The other products are entered in legacy systems by the processing management.

Once processing is completed, validation and control management is responsible for reconciling the physical and recorded figures and checking the appropriate transfers within client accounts upon the approval and settlement of installments.

Collateral

Generally, loans are backed by receivables, trade notes, checks, bank guarantees, promissory notes issued by third parties, liens on merchandise and disposal of equipment or mortgages.

Collateral management, a body of the administration department, is responsible for adjusting the forms and checking the existence and value of assets, rights, equipment and real estate provided as security. Receivables, depending on the extent to which they guarantee the Bank's loans, have differentiated treatment upon the realization and during the term of the loan that they are guaranteeing.

Based on its control system, the collateral management team monitors the adequacy of security throughout the terms of the loans.

Verification of collateral

Trade notes may be delivered physically or transmitted through electronic files by clients, the conditions and features of which are registered in its system, which performs a prior analysis based on fixed parameters and automatically selects trade notes and approves, refuses or forwards them for manual verification by the Bank's employees. The Bank's trade note verification system updates its information every 30 minutes, which speeds up replies and also enables possible solutions to be found for any problems relating to trade notes without affecting the time for approving transactions.

For new clients and those whose liquidity is below the standards set by the Bank's credit policy, guarantees are checked prior to funds being approved. In other cases, depending upon the internal rating, the guarantee is checked at a later stage. In case of physical securities previously accepted by the respective borrowers, the Bank checks all documents that confirm the powers of the signatories and verifies their signature at the registry office.

Once the security has been forwarded for manual verification, the trade notes of a borrower will be immediately refused if they: (i) have been incorporated for less than two years; (ii) have a history of issuance of checks without funds; and/or (iii) present restrictions considered significant for their size. Should this not be the case, a procedure is initiated for verifying the basis of the guarantee by directly contacting the borrower to request the confirmation of amounts, maturity, address and delivery of goods. Depending on the negotiated amount or confirmation refusal, the Bank forwards an out-of-court notification to the borrower to provide such information in written form. Finalizing the verification of the guarantee also depends upon the Area Manager's opinion, who can fully or partially veto the transaction, with the outcome being forwarded online to service stations.

The Bank monitors the payment of trade notes and liquidity of collateral. In case the Bank finds that payments have been made in a location other than that of the borrower or that they are concentrated in a certain bank branch, the Bank performs a registry survey to ascertain which company is the owner of such account. Should the Bank find that the payment was made by the grantor itself, new transactions with this client are immediately blocked in its system. This procedure aims at preventing counterfeit trade notes and money laundering.

In relation to checks provided as collateral, the Bank verifies their origin through a system integrated with the Serasa bureau, which identifies any possible restrictions. In addition, the verification of checks also includes a review of the compatibility of maturities with the term of the loan. Finally, an analysis is made to avoid concentration by clients and amounts, in addition to defining the range of check payments by segment.

The Bank's verification of collateral area is fully-integrated with its granting, administration, formalization, internal audit, anti-money laundering and credit recovery areas, mainly in relation to the adoption of preventive measures against problems arising from loans.

In view of the development of corporate financial management systems, large companies have gradually forced suppliers to withdraw trade notes, replacing them with notes of agreements for the provision of goods or services. Accordingly, credit rights have increased their share as a form of collateral in the market as a whole, partially replacing trade notes.

The Bank identified the business potential that credit rights from supplier agreements represent and, on that basis, it has focused its expertise in this segment since 1994 and is currently one of the main experts in this market.

In 2006, the Bank developed a system for managing credit rights that is able to compile and store primary data, including data on contracting and contracted parties, on-lending agents, dates, origin and maturity, historical and current amounts, performance and payment flows, weaknesses, requirements of documentation and technical opinions, and follow-up requirements.

The Bank's system is able to track accounts where credit rights are domiciled and through the corporate identification number (CNPJ) of the parties, in order to gather payment data measuring the liquidity of each right. In addition, the system is able to gather data regarding payment collection, whether through the Bank's bank network or not. This tool is heavily used for school tuition, sale or the rental of real estate units and health care plan premiums. The follow up of the transaction, from beginning to end, is made by the Bank's Operating Centre, an entity linked to the checking management, responsible for alerting the documentation, credit, recovery, internal audit and presidency areas on any adversity related to documents or respective payments.

A centre consisting of lawyers and technicians and supervised by the Bank's legal department is responsible for evaluating the documents and data entered in the system in order to correct any possible distortions or issues in specific fields of the system relation to the formalization of such credit rights. In addition, the centre issues a conclusive opinion that determines the feasibility of that agreement in relation to its capacity to be used as a guarantee for a credit. The Bank employs this data to make new businesses feasible and to approve proposals in progress.

Currently, the Bank believes it is in an intermediary stage in the migration of existing credit rights to a Credit Rights Management System developed by the Bank in 2006, which has allowed the Bank to consistently follow the performance levels and liquidity of agreements provided as guarantees of its credit.

Credit recovery

The Bank has a department for the recovery and follow-up of overdue credit, which is divided into two different teams. The first team is responsible for the follow-up of the recovery of credits for the period comprising the first and the 60th day of default. The second team is responsible for the follow-up of the recovery of credits as of the 61st day up to the end of 360 days and any actual loss.

On the first day of default following the maturity of the transaction, the Bank determines the client's status by analyzing the potential reasons for the client's non-compliance with the obligation. Following the 15th day of default, the Bank adopts the first effective measure for the recovery of credit consisting of the sending of a notice to the client requesting the payment. In the event of non-compliance with this notice within 24 hours, the Bank sends an authorization for inclusion of the debtor's name in the list of defaulting customers to the Serasa bureau. In the event of payment, the client's name is excluded from the respective list of defaulting customers within 24 hours.

Following the 30th day from the maturity date, the Bank forwards the matter to its legal department which, in conjunction with its credit recovery department, analyses the status and defines the strategy to be followed for the payment of the amount due, whether by means of an agreement or litigation. The Bank continues to negotiate with its debtors, even after the recognition of the credits in losses.

During the recovery process and based on its strategy, the Bank enters into an out-of-court settlement with the debtor, a measure which often quickly solves the problem. The Bank's employee responsible for granting the nonperforming credit also supports the collection of amounts due, and this joint follow-up allows the Bank to have a better understanding of the client's status and supports the Bank in the negotiation and execution of a possible agreement.

Any negotiation and collection process involves the Bank's operating manager, chief operating officer and president. The follow-up of its overdue credit is made on a daily basis and monitored by the operating boards and presidency.

In addition, the Bank adopts a preventive approach for the control, analysis and follow-up of the client status and factors that might result in the client's default. As a result, its departments for credit rating, execution, inspection and internal audit operate on an integrated basis and issue warning notices to each other in the event of a potential default. Furthermore, the aforementioned departments gather on a monthly basis, through the Bank's Group for Assessment of the Credit Process, to discuss and analyze other preventive measures that might be adopted to further avoid the potential event of default. For further information on its committees, see "Management and Employees—Committees."

Risk management

The committees and management bodies for the management of risk are used by the Bank to provide for its balanced and sustained development by seeking to minimize losses and adopt a higher standard than that required by the regulatory agencies. The Bank's risk management consists of a process that identifies the key risks, estimates the risk on a practical and consistent basis and evaluates the impact of potential losses within defined limits by means of mathematical and statistical modeling.

The technical confirmation for the identification of critical control and risk modeling matters was established by a specialized advisory company, the measures of which have been implemented in relation to all processes since. Furthermore, it contributed to the greater development of the Bank's control culture. By means of the development and use of tools based on best international market practices, market, credit and operating risks are identified, quantified and managed, thus ensuring the continuous improvement of the risk management that is critical to all levels.

The Bank's goals are the automation and formation of the database for the management and modeling of risks, based on historical data of losses and changes in controls. An internal control module was included in its risk management system in the first six-month period of 2006. This module benefits four user profiles:

- Pursuant to the first profile, the Bank's area managers will be able to carry out their self evaluation of controls through workflow by providing information electronically in their own work stations.

- Pursuant to the second profile, the Bank's own managing area is able to monitor the execution of action plans arising out of controls, subject to improvements.

- Pursuant to the third profile, the internal audit area has its access directed to the system in order to allow the inclusion of its comments on evaluations and tests and prepare reports.

- Pursuant to the fourth profile, the executive board has access to management data, which includes reports, flowcharts and other information.

The Bank adopts the structure established by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, whose members are the main United States and international associations of public accountants and internal auditors, and which is broadly disclosed and used in the United States and adopted by the majority of the publicly-held companies registered with the SEC.

The COSO defines internal control as a process to provide reasonable assurances as to the following:

- efficiency and effectiveness of the transactions;

- integrity of the financial reports; and

- compliance with laws and regulations applicable to the institution.

The controls must be set forth to minimize the exposure to risks that might adversely affect the achievement of the institution's goals.

In relation to these goals, the Bank intends to take into consideration the profile and strategic and operating characteristics of each unit, as well as processes, sub-processes and operations of the institution.

The Bank's procedures for risk management and internal controls evaluate, monitor or minimize the following risks:

External risk

Since the risks associated with external factors, such as competition, are beyond its control, the Bank analyses competitors and new market participants to establish and maintain its competitive advantages.

Furthermore, the level of available capital is considered as an important external risk to be monitored, which may represent a threat to the corporate development, execution of strategies or future generation of financial profits in view of the lack of the Bank's own resources arising out of shareholders or third parties.

The changes in regulations or other measures of regulatory agencies which have an adverse effect on the Bank's operations are also taken into consideration.

Finally, the Bank evaluates the risk of business interruption represented by the eventual inability to maintain operations, render essential services or recover operating costs arising out of manageable disasters.

Operating risk

Operating risk is the risk of loss associated with internal processes, individuals and improper or failing systems, or external events. The Bank seeks to prevent activities performed in non-compliance with the policies, rules and procedures set forth by it, internal fraud, external fraud, information security, labor claims, interruption in the operation of its systems or problems to operate such systems, nondisclosure of information, failure in the design and modeling of banking products and services, compliance with obligations with its clients, delivery of incomplete or untimely information to external entities, regulatory agencies, shareholders and investors, defects in the execution of transactions, custody of documents and weak relationship with commercial partners, suppliers and third parties.

Market risk

Market risk is the risk associated with the change in the value of a financial instrument or financial instrument portfolio as a result of the volatility of the variables existing in the market (interest rates, exchange rates, shares, commodities, etc.) which are caused by adverse factors, political or otherwise. The Bank continually analyses its exposure to market risk and establishes limits for its operations.

Credit risk

Credit risk arises out of all activities, the success of which depends on the compliance with any obligation by the counterparty, issuer or borrower. It involves the default, settlement, realizable amount of guarantees and concentration, the latter corresponding to its inability to reach the estimated results due to the reliance on a single client, industry activity or economic sector, which represents a high market share in the credit portfolio.

The Bank establishes credit limits for transactions and such transactions are approved by specialized committees.

Strategic risk

Strategic risk is the risk of loss arising out of processes involving the Bank's operations or related to the making of decisions that might affect the maintenance, growth or competitiveness of the Bank. It involves aspects related to the planning, pricing of transactions, cost of opportunity and human resources, particularly the reliance on key personnel, among others.

In addition, the Risk Committee was created to establish the risk management policies and consists of ten members who meet every two months.

Moreover, a Risk Management Department was created for the effective implementation of the policies set forth by the Risk Committee. This unit, which is dedicated to the management of institutional risks, reports directly to the operating vice president.

The Bank believes that risk management concerns all of its employees. The Risk Management Department, as well as the managers of the different units, are responsible for the identification, mapping, consolidation, management of risks, identification of internal controls and follow-up on the possibility of loss. In conjunction with its internal audit department, the Risk Management Department evaluates the efficiency and effectiveness of its internal controls, as well as the compliance of these controls with its risk management policies.

Asset Management

As of December 31, 2009, the Bank managed approximately R$5.8 million in assets, compared to R$9.3 million and R$13.4 million in assets as of December 31, 2008 and 2007, respectively. As of December 31, 2009, the total number of clients participating in these funds was 203, compared to 346 and 426 as of December 31, 2008 and 2007, respectively.

Subsidiaries and Affiliates

The following table sets out the subsidiaries and affiliates of the Bank at the date hereof, showing the direct shareholding of the Bank, the principal activity of the subsidiary or affiliate and the Bank's proportion of its net worth as of December 31, 2009.

Name	Percentage owned (%)	Principal Activity	Shareholders' Equity
			(in thousands of R$)
BIC Arrendamento Mercantil S.A.	100	Leasing	128.7
BIC Distribuidora de Títulos e Valores Mobiliários S.A.	100	Securities dealer	12.8
BIC Informática S.A.	100	Data processing	0.6
BIC Administradora de Cartões de Crédito S/C Ltda.	100	Credit cards	3.5

The Bank had incorporated and operated its subsidiaries prior to a change in law in August 1994 which allowed multiple services banks to engage in transactions directly in certain areas such as leasing. The Bank intends to continue to carry out leasing operations through its subsidiaries because of certain tax benefits in connection with conducting such activities at the subsidiary level as opposed to the Bank level.

On October 30, 2009, the Bank signed a purchase agreement to acquire 100% of Sul Financeira. The Central Bank issued a conditional approval for the acquisition on April 12, 2010. See "—Loan operations—Loans to private individuals."

BIC Leasing

BIC Leasing was incorporated in May 1993 for the leasing of aircraft, vehicles, industrial equipment and equipment in general. As of December 31, 2009, the total assets of BIC Leasing amounted to R$307.8 million and the shareholders' equity amounted to R$128.7 million. As of December 31, 2008, the total assets of BIC Leasing amounted to R$205.2 million and the shareholders' equity amounted to R$67.8 million. As of December 31, 2007, the total assets of BIC Leasing amounted to R$71.9 million and the shareholders' equity amounted to R$64.1 million. For the years ended December 31, 2009, 2008 and 2007, the Bank did not receive dividends.

BIC Distribuidora

BIC Distribuidora was incorporated in November 1992 and was granted authorization to operate by the Central Bank in March 1993. BIC Distribuidora carries out a limited number of trading of securities on the Bank's account and for third parties. As of December 31, 2009, the shareholders' equity of BIC Distribuidora was R$12.8 million. As of December 31, 2008, the shareholders' equity of BIC Distribuidora was R$12.1 million. As of December 31, 2007, the shareholders' equity of BIC Distribuidora was R$11.2 million. For the years ended December 31, 2009, 2008 and 2007, the Bank did not receive dividends.

BIC Cartões

BIC Cartões ceased operations in 2004. Prior to 2004, it issued credit cards to its clients and managed credit card activity. As of December 31, 2009, the shareholders' equity of BIC Cartões was R$3.4 million. As of December 31, 2008 and 2007 the shareholders' equity of BIC Cartões was R$3.5 million and R$2.3 million, respectively. For the years ended December 31, 2009, 2008 and 2007, the Bank's subsidiary BIC Cartões did not record dividends or interest attributed to equity.

BIC Informática

BIC Informática renders data processing and technical assistance services for the Bank's operations. BIC Informática is not involved with any of the Bank's financial operations or services involving credit risk. As of December 31, 2009, 2008 and 2007, the shareholders' equity of BIC Informática was R$0.5 million, R$0.5 million and R$0.5 million, respectively. For the years ended December 31, 2009, 2008 and 2007, the Bank's subsidiary BIC Informática did not record dividends or interest attributed to equity.

Sul Financeira

On October 30, 2009, the Bank signed a purchase agreement to acquire 100% of Sul Financeira, a company headquartered in the City of Porto Alegre, that provides loans to individuals (including payroll deductible loans, consumer credit and vehicle financing) and small-sized companies (including discounted trade receivables). Sul Financeira has two subsidiaries, Sul Financeira Promotora de Vendas Ltda. and Sul Financeira Cobrança Ltda., and 72 employees. Sul Financeira has negative shareholders' equity in an amount of R$100.9 million. The purchase agreement provides that the Bank will acquire Sul Financeira for R$1.00. The Central Bank issued a conditional approval for the acquisition on April 12, 2010. The approval is conditioned on the Bank capitalizing Sul Financeira in the amount of R$150 million. The Bank is working to implement its risk assessment policies and procedures at Sul Financeira so that it is able to capitalize Sul Financeira as permitted by applicable regulations and commence operations. The Bank will not acquire the portfolio of Sul Financeira pursuant to the terms of the purchase agreement.

Competition

General

The market for banking and financial services in Brazil is highly competitive and the Bank faces significant competition in the middle market segment. The Brazilian banking industry consists of a broad range of public and private financial institutions. Since 1988, the Brazilian government has authorized the creation of multiple banks that offer a range of commercial banking, investment banking and private finance financial services, in addition to other services by means of a single legal entity. Furthermore, public sector financial institutions such as Banco do Brasil S.A. and Caixa Econômica Federal have an important role in the Brazilian banking industry; these government-owned banks have a significant share of the total deposits and assets of the Brazilian banking system and have a stronger presence in markets such as housing loans and rural credit than privately-owned banks.

According to the Central Bank, there were 137 multiple service banks, 18 commercial banks, 16 investment banks, and numerous brokerage, leasing and other financial institutions operating in Brazil as of March 1, 2010.

The following table compares the loan portfolio, assets and other information relating to the 30 largest Brazilian banks as ranked by total assets as of September 30, 2009:

	Rank by loan and lease operations					
	As of September 30, 2009					
	Loan and lease operations	Total Assets	Equity	Total Deposits	Net Income	Basel Ratio
	(In R$ millions, except percentages)					
Banco do Brasil	264.7	669.9	33.7	327.2	6.0	13.29%
Itaú Unibanco	171.6	592.8	49.8	197.3	6.9	16.73%
BNDES	143.0	360.5	26.6	26.6	3.1	16.74%
Bradesco	141.7	428.9	39.3	170.2	5.9	17.92%
Santander	112.6	327.8	52.5	121.8	1.5	28.27%
Caixa Economica Federal	112.0	342.0	12.3	185.3	2.0	16.08%
Votorantim	36.8	89.9	7.0	26.3	0.5	11.84%
HSBC	31.6	108.0	5.8	65.5	0.3	13.55%
Safra	18.7	65.3	4.7	14.7	0.6	16.32%
BANRISUL	11.9	28.8	3.3	15.6	0.4	18.03%
Volkswagen	10.6	15.3	1.5	6.4	0.0	13.25%
Citibank	9.4	44.2	4.8	12.0	1.6	15.06%
Banco do Nordeste do Brasil	8.7	16.9	2.0	4.6	0.3	14.12%
BICBANCO	6.5	9.7	1.7	4.5	0.2	18.77%
BMG	6.1	9.3	2.0	3.8	0.3	13.23%
Banco Re. Extremo Sul	5.5	7.1	1.0	0.0	0.0	19.30%
BNP Paribas	5.1	19.8	1.6	6.5	0.1	23.27%
Alfa	5.1	13.4	1.7	4.2	0.1	20.48%
Panamericano	4.8	9.5	1.6	4.2	0.1	17.46%
ABC-BRASIL	4.5	7.5	1.2	2.9	0.1	15.43%
Mercedez-Benz	4.1	7.1	0.6	0.6	0.0	11.73%
Mercantil do Brasil	3.9	7.5	0.6	4.0	0.0	13.80%
Credit Suisse	3.8	24.1	2.9	3.6	-0.2	17.18%
Fibra	3.6	12.5	0.8	3.5	0.1	12.93%
Baniscredi	3.2	9.2	0.2	4.5	0.0	16.23%
Daycoval	3.2	6.0	1.6	2.3	0.1	29.33%
CNH Capital	3.2	4.4	0.7	0.7	-0.1	17.58%
Société Générale	3.1	8.3	1.2	2.7	0.0	18.30%
Banco Brasllia	3.0	6.5	0.6	5.0	0.1	15.34%
Lage Laden	2.9	3.3	0.3	0.0	0.0	13.50%

Source: Brazilian Central Bank – "50 Largest Banks Report."

Corporate loans

The Bank faces direct competition from banks which operate in the middle market segment, including large- and medium-size banks in Brazil, such as Banco Bradesco S.A., Banco do Brasil S.A., Banco Santander S.A. and Itaú Unibanco S.A., as well as from medium-sized banks focused on its business segments, such as Banco Safra S.A, Banco Fibra S.A., Banco Daycoval S.A, Banco BBM S.A, Banco Pine S.A. and Sofisa S.A.

Trade finance

Trade finance is a highly-competitive segment and the Bank faces fierce competition from a number of institutions. The most active banks in the Brazilian trade finance market are the large-sized banks, such as Banco Santander S.A., Banco Bradesco S.A., and Société Générale, and medium-sized banks, such as Banco Safra S.A. and Banco Fibra S.A. Since the implementation of the *Plano Real* and, particularly, due to the recent growth of the Brazilian economy and of export activity, trade finance transactions have been growing proportionally to the increase seen in the number of products being offered.

Financial services

Financial services include a number of transactions such as treasury, asset management, investment banking, brokerage and custody. Despite the substantial growth seen in most of those areas since the implementation of the *Plano Real*, the Bank believes that its efforts in these fields are still preliminary. While the

Bank focuses on specific market niches in the financial services sector the Bank faces fierce competition in all areas it performs in, not only from the major Brazilian banks, but also from foreign investment banks.

Information Technology

With a view to effectively meeting the needs of its clients and to optimize its business profitability, the Bank has a policy of consistently investing in new technologies. The Bank believes that its digital network of integrated services is now properly up-to-date.

The Bank has a modern network of data communication, including newly implemented data, voice and video technology, which is the result of a network convergence project completed in December 2006 that interconnects its service outlets to the Main Data Processing Centre at its head office and to IBM's Data Processing Contingency Centre. This contingency centre operates as a backup site within the scope of a contingency plan, which by online processing replication, preserves the integrity of all systems and stores files and allows for the continuation of uninterrupted operations during any failure in its head office's processing centre.

In the last three years, the Bank believes it has made material investments in technology and systems, including updates in its technological park, hardware, software, network convergence (data, voice, video conference and corporate TV), in addition to the development of new strategic systems for the business and updating of the contingency plan (back-up site). Furthermore, the Bank has entered into material contracts relating to its IT department which amounted to R$2.3 million as of December 31, 2009, and to R$3.2 million as of December 31, 2008 and R$2.5 million as of December 31, 2007. The Bank has approved an information technology investment budget of R$19.8 million for the period from 2009 to 2012.

Insurance

The Bank maintains the following insurance policies: (i) group life and/or personal liability insurance; (ii) health insurance for employees and executives; (iii) general operating civil liability insurance, including coverage for employer's civil liability; (iv) comprehensive corporate liability to cover damage from fire, explosion and electric faults its property may be exposed to, the maximum indemnification value of which is R$20.0 million (Value at Risk of R$53.4 million); (v) lease insurance for its leased property; (vi) vehicle civil liability insurance; and (vii) directors and officers liability insurance in an amount of R$35.0 million (approximately U.S.$20 million).

In 2009, in line with its risk protection policy, the Bank renewed a type of insurance from Unibanco AIG Seguros & Previdência, called bankers blanket bond (*Seguro Multirisco para Instituições Financeiras*) which provides protection against: (i) electronic fraud; (ii) employee fraud; and (iii) building damages. The insured amounts under this policy are R$2.0 million for item (i), R$1.0 million for item (ii) and R$0.5 million for item (iii).

All insurance has been purchased from reputable insurance companies operating in the Brazilian market, including Unibanco AIG Seguros e Previdência S.A., Chubb do Brasil Cia de Seguros, Sul America Cia Nacional de Seguros, Marítima Seguros S.A., HDI Seguros S.A. and Royal & Sun Alliance Seguros (Brasil) S.A.

The Bank believes that its contracted insurance policies offer reasonable coverage for its business and conform to accepted market practices.

Employees and Human Resources Policy

As a result of the 2005 economic activities expansion, the number of the Bank's employees, including its subsidiaries, increased to 823 employees in 2007, from 665 employees in 2006, as compared to 638 employees in 2005. In light of the financial crisis, the Bank reduced the number of employees in 2008 to 819 and to 364 as of December 31, 2009. The Bank's payroll and employee benefit expenses amounted to R$131.2 million as of December 31, 2009.

The table below sets forth the number of employees, allocated among their respective areas, for the years ended December 31, 2009, 2008 and 2007:

	Year ending December 31,		
	2009	**2008**	**2007**
Operational			
Trade	226	244	250
Funding	17	24	30
Subtotal	**243**	**268**	**280**
Support and control			
Administrative	292	325	343
Legal/audit	24	24	23
Controllership	106	122	103
Information Technology	67	65	57
Others	15	15	17
Subtotal	**504**	**551**	**543**
Total	**747**	**819**	**823**

Social and legal matters involving labor policies in the Bank's country have always been a concern for the Bank and it has programs in place for the hiring of physically challenged individuals and teenage apprentices, which, coupled with its internship program, demonstrates its commitment to targets relating to equality in the workplace.

The Bank is a member of the Human Resources Committee of (*Federacão Brasileira de Bancos*), or FEBRABAN, which administers a human resources policy for the entire financial system, and engages in salary negotiations with union representatives.

The Bank has never had any strike or other kind of disruption in operations relating to labor issues.

Benefits

The benefits that the Bank offers its employees include meal vouchers, food baskets, day-care/babysitting assistance, allowances for employees who have physically and mentally challenged children, funeral allowances, night commute allowances, transportation vouchers, complementary supplements to social security sickness allowance and accident allowance, life insurance, education insurance, a medical plan and outplacement services.

With a view to maintaining a staff comprised of skilled and satisfied employees, the Bank has a differentiated compensation policy for its non-management employees according to which they can receive, in the case of employees in the commercial departments, a bonus of up to nine times their monthly salary which is conditional upon their respective sales targets being achieved, and in the case of employees in the technical departments, up to six times their monthly salary, following a proper assessment of their achievements. Such benefits are offered to its employees on a semi-annual basis, subject to the results recorded by the Bank.

Employees in executive or managerial positions receive bonuses which are separate, and are variable compensation from their respective salaries, according to rules established from time to time.

The Bank maintains a profit sharing program granted to its employees, under which approximately R$72.7 million was distributed from December 31, 2007 to December 31, 2009.

Health and safety

With a view to ensuring that its staff are among the more satisfied employees in the market, the Bank focuses most of its efforts on its internal employees by focusing on training and quality of life, so as to develop a working environment which reflects and accommodates the diversity in needs, skills and aspirations of each of its professionals.

In addition to the benefits offered to all its employees, the Bank designs internal policies with the specific purpose of enhancing quality of life and improving each employee's working capabilities. The Bank prohibits excessive working hours, strongly encourages the exercise of employees' vacation entitlement, designs programs for cultural and intellectual enrichment, and has salary policies that are consistent with the market. In particular, the Bank strongly encourages the adoption of physical, physiological and mental health practices through ongoing campaigns about quality of life and illness prevention such as vaccinations, women's and men's health, prenatal health care, and particularly, policies to prevent repetitive strain injury.

In strict accordance with the occupational safety and medicine guidelines under the Labor Laws and regulations and regulatory rules of the Ministry of Labor, the Bank places heavy emphasis on the Medical Control of Occupational Health Program, through a specialized company, and the Bank established its Internal Commission for Accidents Prevention, or CIPA, in compliance with legal requirements.

The Bank's Internal Commission for Accident Prevention is comprised of representatives and employees, and its main role is the preservation of health and physical integrity of all those interacting with the Bank in a partnership with labor inspection authorities, through mandatory accident prevention campaigns.

Training and development program

With a view to improving the development of its staff, the Bank offers internal and external training programs so that its employees can increasingly improve their professional skills and perform more productively and effectively.

In line with its philosophy of continued development and the improvement of its employees, the Bank organizes refresher courses, workshops and seminars in their respective areas of performance, providing more information which can be used in their day-to-day activities, and offers scholarship programs of grants worth up to 50.0% to 100.0% of the costs, primarily for the purpose of increasing the number of employees with college education and to ensure that its professionals have access to specialized education which includes post-graduate degrees, MBA and master's education and English classes.

In 2008, the Bank recorded an increase in the number of approved scholarships it awarded (143) as compared to the number approved in 2007 (92) and in 2006 (83), resulting in an investment in the education of its employees from R$349,200 in 2006 to R$420,000 in 2008. In 2009, the Bank invested approximately R$620,000 in training for 532 of its employees.

Property

Real property

The Bank's main premises, where its head office is located, are located in São Paulo; it is a leased property and measures approximately 3,500m². Of all its service outlets, approximately 40% of the Bank's properties are leased and 60% are owned.

Some properties owned by the Bank, categorized as not-for-own-use, have liens attached to them as a result of pledges established in civil actions in order to guarantee judgment whilst the merits of each civil action are considered.

Intellectual Property

Trademarks

The Bank considers its trademarks as highly-relevant assets. The Bank owns a total of 23 trademarks registered with INPI, including 6 registrations of figurative trademarks protecting its logos, 11 registrations of mixed trademarks protecting the associations of its logos and the words "BICBANCO" and/or "BANCO INDUSTRIAL E COMERCIAL," and 6 other registrations of nominative trademarks protecting the words "BICBANCO" and/or "BIC." The Bank also holds 3 trademark registration requests with INPI regarding "Movimento Azul." These registration requests have been challenged by a third-party, but the Bank classifies the risk of loss as remote.

Additionally, the Bank owns the license to use the VISA brands, granted by Visa International Service Association. The license to use the VISA brands allows the Bank to print them on its credit cards furnished under the Visa flag. The license to use such brands is free of charge.

Patents and Industrial Design

The Bank does not own any patent or invention or utility model field with and/or granted by the INPI. Furthermore, the Bank does not own any industrial designs registered with INPI.

Domain names

The Bank owns the domain name bicbanco.com.br, which has been registered with the Centre of Information and Coordination of Dot BR, or NIC.br, the entity charged with registering domain names in Brazil.

Software

The Bank owns all the required licenses for the software it uses in the conduct of its business.

Litigation and Administrative Proceedings

The Bank is subject to tax, civil claims, labor claims and social security proceedings.

Based on the opinion of its legal counsel, assessment of the pending claims and, in the case of labor claims, based on its past experience and amounts being sought, the Bank established a provision for contingent liabilities in reasonable amounts to cover anticipated loss from the claims and proceedings in progress. Legal obligations and contingent liabilities classified as probable losses are fully provisioned for by the Bank.

As of December 31, 2009, the Bank had a total of R$260.1 million in provisions, of which R$216.6 million relate to legal actions and tax proceedings, R$34.4 million to civil claims and R$9.1 million to labor and social-security related claims.

Tax issues

The Bank is party to tax and social security claims and proceedings. As of December 31, 2009, the Bank had recorded provisions of R$216.6 million in relation to these types of claims.

The legal obligations and contingent liabilities classified as probable losses are entirely provided for. The most relevant issues are:

CSLL (Social Contribution on Net Profits) – Isonomy – The Bank has applied for the suspension of the imposition of CSLL required from financial institutions in 2008 due to the application of rates that are higher than those applied to other legal entities, in view of the non-observance of the constitutional principle of isonomy. The amount involved in this lawsuit is R$20.8 million, which is fully deposited at court.

COFINS (Contribution for Social Security) and PIS (Contribution for the Social Integration Program) – The Bank has applied for the payment of this contribution, as of November 2005, to be made on the basis of the calculation established by Complementary Law No. 7, of September 7, 1970, or Complementary Law No. 7, without the observance of the legal provisions related to the enlargement of the calculation basis introduced by Law No. 9,718, of November 27, 1998, or Law No. 9,718, deemed to be unconstitutional by the Federal Supreme Court (*Supremo Tribunal Federal*), or STF. The total amount involved in this lawsuit is R$170.4 million, which is fully covered by an accounting provision.

PIS (Contribution for the Social Integration Program) – The Bank has applied for the payment of this contribution as of 1996, without the observance of the legal provisions related to the enlargement of the calculation basis introduced by Constitutional Amendment No. 10 of March 7, 1996. The total amount involved in this lawsuit is R$19.8 million, which is partially covered by an accounting provision in the amount of R$10.3 million.

Contingent liabilities classified as possible losses are monitored by the Bank and are based on the opinions of the Bank's internal and external legal advisers in relation to each judicial and administrative proceeding. Therefore, in accordance with the current rules, contingencies classified as possible losses are not recognized in the accounts, and mainly refer to the following issues:

IOF (Tax on Financial Transactions) – R$36.7 million – A tax deficiency notice was entered on the grounds that IOF was paid on advance to rural credit note, or CCC, operations calculated on the basis of the legal entity rate. A writ of mandamus was filed to annul the tax deficiency notice, and an injunction was granted that is currently in force.

ISS (Service Tax) – R$8.8 million – Six administrative and judicial proceedings were initiated on the grounds that the ISS calculated on the revenues of the leasing company are due in the municipalities where the Bank operates and not in Fortaleza, the municipality of the company's head office, and where the ISS was paid.

Voluntary Revelation – Unenforceability of the late payment fine – R$5.8 million – A tax deficiency notice was entered on the grounds that the late payment fine is enforceable on a spontaneous payment made and duly communicated through voluntary disclosure.

IRPJ and CSLL – A tax notice issued from the fiscal authorities for possible irregularities in the offset of fiscal liabilities (IRPJ and CSLL) with a tax credit. The Bank has applied for the reconsideration at the competent jurisdiction. The amount involved corresponds to the management's estimation on the date of the questioned events.

The Bank has made a claim to pay certain tax liabilities in one installment, pursuant to the provisions of Law No. 11,941/09 which introduced an amnesty program publicly known as "Refis." According to this law, in order for a taxpayer to include debts for judicial or administrative consideration under the program, the taxpayer must file a proper claim before the relevant courts. The effective extinguishment of the Bank's debts via payment in one installment is conditional upon the acceptance of the claims filed by the Bank by the relevant court and its analysis of the amount to be paid to the Federal Revenue Service. The Bank cannot give any assurance that its claim to pay this tax liability in one installment will be accepted by the relevant court.

Civil claims

The civil claims assessed by the Bank's internal and external legal advisers as being probable risks were fully provided for and totaled R$34.3 million as of December 31, 2009 and R$32.7 million, as of December 31, 2008. As of December 31, 2009, the Bank was party to 576 claims, for which the amounts claimed totaled R$58.1 million and which are classified as possible risks and therefore no provision was recorded considering that Brazilian GAAP does not require them to be recorded. According to the estimate of the Bank's legal advisers, the maximum amount of indemnification from these claims is R$34.1 million.

Labor issues

The labor claims assessed by the Bank's internal and external legal advisers as being probable risks were fully provided for and totaled R$9.1 million as of December 31, 2009, and R$10.2 million, as of December 31, 2008. As of December 31, 2009, the Bank was party to 65 claims, for which the claimed indemnifications totaled R$6.6 million, and which are classified as possible risks and no provision was recorded. According to the estimate of the Bank's legal advisers, the maximum amount of indemnification for these claims is R$6.6 million.

MANAGEMENT AND EMPLOYEES

Board of Directors

Pursuant to the Bank's by-laws, its board of directors must comprise a minimum of three and a maximum of six members, each a shareholder of the Bank, of which 20% must be independent directors, and are each confirmed at the Shareholders' Meeting at which they are appointed. Since September 17, 2008, the position of the independent director has been vacant. The Bank expects to fill this position at the end of June 2010.

The Bank's board of directors is responsible for defining its general business policies and overall guidelines, including deciding on its economic, financial and management policy, and for verifying compliance with its determinations. The duties of the Bank's board of directors include, among other things, electing or removing its executive officers and supervising the management team. The members of the board of directors are elected by the shareholders during the general shareholders' meeting and have a term of two years. The directors may be re-elected for an additional period of two years. The directors may be dismissed, at any time, by a decision of the shareholders taken at any general shareholders' meeting.

The members of the Bank's board of directors must be individuals and hold at least one of its issued and outstanding shares, regardless of whether they are Brazilian residents or non-residents. As a result of an agreement to join the *Nível 1* segment of the BM&FBOVESPA and of the Bank's adherence to the *Nível 1* segment regulations, its elected directors will be required to sign an instrument of adherence to this regulation and its agreement with the BM&FBOVESPA prior to taking office. In addition, under the Bank's by-laws, the members of its board of directors prioritize the use of arbitration for the resolution of disputes.

In accordance with Brazilian Corporate Law, minority shareholders of a listed company, whose interest in the voting shares represents a minimum of 15.0% of the company's voting capital stock, have the right to elect one director in a separate voting process. In addition, holders of non-voting preferred shares or preferred shares with restricted voting rights that represent at least 10.0% of the company's capital stock, or holders of either common or preferred shares in the aggregate representing a minimum of 10.0% of the capital stock, have the right to elect one member of the board of directors by a separate voting process.

Currently, the Bank's board of directors is composed of three members.

The table below shows the names, positions and dates of election and termination of the terms of office of the current members of the Bank's board of directors.

Name	Position	Date of election	Termination of term of office
José Adauto Bezerra[(1)]	Chairman of the Board of Directors	October 19, 2009	General Shareholder's Meeting of 2011
Francisco Humberto Bezerra[(1)]	Director	October 19, 2009	General Shareholder's Meeting of 2011
José Bezerra de Menezes[(1)]	Director	October 19, 2009	General Shareholder's Meeting of 2011

(1) Re-elected at shareholders' meeting held on October 19, 2009.

The Bank sets out below a brief biographical description of the members of the Bank's board of directors, whose mandates have been approved by the Central Bank. The business address of its directors is Avenida Paulista, 1.048, 15th floor, São Paulo, SP, 01310-100 Brazil.

José Adauto Bezerra. Mr. José Adauto Bezerra was elected chairman of the Bank's board of directors in 2007, a position he also held from 1991 to 2003, and was its deputy chief executive officer from 1987 to 1996. In addition to these positions, Mr. Bezerra was the superintendent of the Superintendence for the Development of the Northeast (*Superintendência de Desenvolvimento da Região Nordeste,* or SUDENE, from 1990 to 1991, deputy governor of the State of Ceará from 1983 to 1986, governor of the State of Ceará from 1975 to 1978, federal representative from 1979 to 1982, member of the board of directors of SUDENE from 1975 to 1978, representative for the State of Ceará from 1958 to 1974 and an officer of the armed forces from 1949 to 1967. Mr. José Adauto Bezerra graduated from *Academia Militar das Agulhas Negras.*

Francisco Humberto Bezerra. Mr. Francisco Humberto Bezerra was elected to the Bank's board of directors in 2007 and was deputy chairman of its board of directors during the period from 1992 to 2003 and its chief executive officer from 1981 to 1996. In addition, Mr. Bezerra was municipal secretary of Fortaleza from 1975 to 1978, federal representative from 1975 to 1979, deputy governor of the State of Ceará from 1971 to 1974, federal representative from 1966 to 1971, mayor of Juazeiro do Norte from 1963 to 1966 and an officer of the armed forces from 1949 to 1967. Mr. Bezerra graduated from *Academia Militar das Agulhas Negras*.

José Bezerra de Menezes. Mr. Bezerra de Menezes was elected to the Bank's board of directors in 2007 and has been its chief executive officer since 1996. Prior to this he held the position of deputy chief executive officer (1990 to 1996), chief financial officer (1985-1990), superintendent of the financial division (1983-1985) and its financial manager (1980-1983). Mr. de Menezes holds a degree in civil engineering from *Universidade Federal do Ceará*.

Executive Board

Under the Bank's by-laws, its executive board must comprise a minimum of two and a maximum of 12 members, composed of the following: one chief executive officer, three deputy chief executive officers, one investor relations' officer and up to seven executive officers.

The Bank's executive officers are responsible for the day-to-day management of its operations and, among other duties, for implementing the policies and general guidelines set by its board of directors.

The Bank's investor relations' directorate is located at Avenida Paulista, 1.048, 15th floor, São Paulo, SP, 01310-100, Brazil. The Bank's investor relations' officer, Mr. Milto Bardini, is responsible for this directorate. The telephone number of the investor relations' department is +55 (11) 2173 9190, the facsimile number is +55 (11) 3266 8951 and e-mail address is investor.relations@bicbanco.com.br. The Bank's website address is http://www.bicbanco.com.br/ir.

Under Brazilian Corporate Law, the Bank's executive officers must reside in Brazil, irrespective of whether or not they are its shareholders. The business address of the members of the Bank's board of directors is Avenida Paulista, 1.048, 15th floor, São Paulo, SP, 01310-100, Brazil.

The Bank's executive officers are elected by its board of directors for two-year terms, with re-election permitted. Under Brazilian Corporate Law, a maximum of one-third of the Bank's directors may also serve as its executive officers. The Bank's executive officers may be removed from office at any time pursuant to a decision taken by its board of directors.

Like the Bank's directors, its elected officers are required to sign an instrument of adherence to the *Nível 1* segment regulations, and the Bank's listing agreement for adhesion to the *Nível 1* segment, prior to taking office. The Bank's officers are also subject to the Arbitration Regulation in accordance with its by-laws.

Currently, the Bank's executive board is composed of eight members. The table below shows the names, titles, date of election and termination of the terms of office of its current officers.

Name	**Titles**	**Date of election**	**Termination of term of office**
José Bezerra de Menezes	Chief executive officer	May 29, 2008	May 29, 2010
José Adauto Bezerra Júnior	Deputy chief executive officer	May 29, 2008	May 29, 2010
Milto Bardini	Deputy chief executive officer and investor relations' officer	May 29, 2008	May 29, 2010
Paulo Celso Del Ciampo.......................	Deputy chief executive officer and international division officer	August 25, 2008	May 29, 2010
Sérgio da Silva Bezerra de Menezes......	Executive officer	May 29, 2008	May 29, 2010
Francisco Edênio Barbosa Nobre	Executive officer	May 29, 2008	May 29, 2010
Carlos José Roque	Executive officer	May 29, 2008	May 29, 2010

Below is a brief biography of the members of the Bank's executive board:

Mr. José Bezerra de Menezes. Mr. Menezes has been the President of the Bank since 1996. Previously, Mr. Menezes was the Executive Vice-President (1990-1996), Financial Officer (1985-1990), Superintendent of the Financial Department (1983-1985) and Financial Manager (1980-1983) of the Bank. Mr. Menezes holds a bachelor's degree in Civil Engineering from *Universidade Federal do Ceará*.

Mr. José Adauto Bezerra Júnior. Mr. Adauto Bezerra Jr. was elected to the Bank's board of directors on January 28, 2008 and was a director of the Bank until March 26, 2008. He has been vice-president of the Bank since 2006. He has also been managing partner of BIC CCV S/A since 1985. Prior to this, Mr. Bezerra Jr. held the position of administrative director of the Bank (1990-1996), administrative superintendent of Bicbanco S/A (1984), director's assistant at Bicbanco S/A (1983) and manager's assistant at Bicbanco S/A (1982). Mr. Bezerra Jr. holds a degree in business administration from *Universidade de Fortaleza* - UNIFOR. Mr. Bezerra has been the General Vice-President of the Bank since 1996. Previously, Mr. Bezerra was an Executive Officer (1987-1996), Superintendent (1984-1987), Officer (1983-1984), Administrative Assistant (1982-1983) and intern (1981-1982) of the Bank. Mr. Bezerra holds a bachelor's degree in business administration from *Universidade de Fortaleza*.

Mr. Milto Bardini. Mr. Bardini has been the Vice-President of the Bank since January 2002 and the Bank's Investor Relations Director since 2007. In 2006, Mr. Milto was elected president of *Associação Brasileira de Bancos,* or ABBC. Before joining the Bank, Mr. Bardini worked in several institutions since 1977. Mr. Bardini was the Officer of the Commercial Retail Department in Bandeirantes/Unibanco S.A. (2000-2001); Vice-President in Banco Mercantil de Crédito S.A. (1997-2000); Executive Officer in Banco Sudameris do Brasil S.A. (1988-1997), responsible for the Commercial and International Finance Department; and General Officer in Banco Europeu para a América Latina (BEAL) S.A. (1977-1988), in charge of several executive duties, initially in the main office of Brussels and subsequently in the office in the City of São Paulo. Mr. Bardini holds a bachelor's degree in political and social sciences from Louvain University, Belgium.

Mr. Sérgio da Silva Bezerra de Menezes. Mr. Menezes has been an Executive Officer and was a member of the board of directors in the Bank from 1992 and 2003. Mr. Menezes is the Scientific Director of *Fundação e Hospital Albert Sabin*. Mr. Menezes holds a bachelor's degree in medicine from *Universidade Federal do Ceará* and an International MBA from Baruch College of New York and attended to the Program for Development of Executive Officers from USP and Operational Strategies in Financial Markets from BM&FBOVESPA.

Mr. Francisco Edênio Barbosa Nobre. Mr. Nobre has been an Executive Officer of the Bank since 2003. Mr. Nobre was also Executive Manager (1997-2003), and Manager and Superintendent (1990-1996). Mr. Nobre joined the Bank in 1979. Mr. Nobre holds a bachelor's degree in law from *Universidade de Fortaleza* and a masters' degree in business administration, with an emphasis on human resources, from *Universidade Estadual do Ceará*.

Mr. Carlos José Roque. Mr. Roque has been an Executive Officer of the Bank since 2003. Mr. Roque was the Executive Controller of the Bank (2002-2003) and General Manager of Controller in Banco Cidade S.A. (1992-2002). Mr. Roque holds a bachelor's degree in accounting from *Faculdades Tibiriçá* and a masters' degree in business administration in controlling from *Universidade de São Paulo*.

Mr. Paulo Celso Del Ciampo. Mr. Ciampo has been the Executive Officer of the International Division in the Bank since 1998. On August 25, 2008 he became the Deputy Chief Executive Officer and international division officer of the Executive Board. Before joining the Bank, Mr. Ciampo was the Foreign Exchange Officer in Banco Fenícia S.A. (1996-1998), Resident Administrative Officer in Banque Banespa Internacional S.A. (subsidiary of *Banco do Estado de São Paulo S.A.*) in Luxemburg (1993-1995), General Manager in Banco do Estado de São Paulo S.A., London Branch—England (1992-1993), and Head of the Department of Foreign Exchange and International Transactions in Banco do Estado de São Paulo S.A. (1983-1992). Mr. Ciampo holds a bachelor's degree both in economics, from *Faculdade de Ciências Econômicas de São João da Boa Vista,* and civil engineering, from *Faculdade de Engenharia de São Paulo*.

Committees

Currently the Bank has one Audit Committee and 12 other internal committees, as described below:

Audit committee

The Bank's Audit Committee, established pursuant to Resolution 3,198 of May 27, 2004, as amended, is a statutory committee having the responsibility for supervising the internal control areas at the Bank. It meets on a quarterly basis and is comprised of three members, one of which must be an expert in accounting and finance. The Audit Committee is also responsible for reviewing the Bank's financial statements and audit reports and for overseeing any significant control or compliance activity. The current members of the committee are:

Name(1)	Titles	Date of election
Heraldo Gilberto de Oliveira	President (and qualified member)	October 16, 2009
Carlos Eduardo Sampaio Lofrano	Member	October 16, 2009
Walter Mallas Machado de Barros	Member	October 16, 2009

Note:
(1) Elected by the Bank's board of directors meeting held on October 16, 2009 and currently pending Central Bank approval.

Mr. Heraldo Gilberto de Oliveira. Mr. Oliveira was elected on October 16, 2009 as the president of the Bank's Audit Committee. In addition, Mr. Oliveira is also the coordinator of the consulting area of FIPECAFI – *Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras*, where he also acts as a professor for Capital Market and Investor Relations at the MBA. Before joining the Bank, Mr. Oliveira worked as an independent auditor for *Directa Auditores* (1984-1995) and as a Director for Banco Nossa Caixa S.A. Mr. Oliveira holds a bachelor's degree in accounting sciences and business administration, as well as a *strictu senso* master degree from the *University of São Paulo*.

Mr. Carlos Eduardo Sampaio Lofrano Mr. Lofrano was elected a member of the bank's Audit Committee on October 16, 2009. Mr. Lofrano was an officer of BM&FBOVESPA (2003-2008) and worked for the Central Bank of Brazil as a Chief of Financial System Regulation Department, among other positions in the same institution (1982-2003). Mr. Lofrano holds a bachelor's degree in economics from *Universidade de Brasília - UnB.*

Mr. Walter Mallas Machado de Barros. Mr. Barros was elected a member of the bank's Audit Committee since October 16, 2009. Mr. Barros is also the president of the Board of Directors of IBEF – SP *(Instituto Brasileiro de Executivos de Finanças)* and managing-Partner of *WMB Consultoria de Gestão* Ltda. He was previously a member of the audit committee of Banco Nossa Caixa S.A. and an independent auditor for Price Waterhouse Peat & Co. Mr. Barros has a bachelor's degree in economics and accounting sciences.

Executive committee—CDE

The executive committee is responsible for defining the Bank's principal strategies in various fields. It meets once a fortnight and is composed of the Bank's principal officers and all the directors appointed pursuant to the by-laws.

Operations committee

The operations committee is responsible for administering infrastructure, risk exposure and operating limits. This committee evaluates income projections, focusing on the monitoring of the financial margin, its deviations and maintenance. Its agenda includes: (i) pricing of products, (ii) monitoring of the Bank's results, (iii) definition of innovations and reformulations to ensure the competitiveness of the products and services supplied by the Bank's branch network, (iv) evaluation of new products and (v) productivity and analysis of operations/methods/procedures involving risks that are not yet quantifiable. This committee meets monthly and is composed of the deputy chief operating officer, the administrative and controllership officers, treasury and planning executives, risk and back-office management superintendents, and legal and product managers.

Executive credit committee

The executive credit committee is primarily responsible for evaluating commercial and rural credit, on-lending and consumer credit portfolio operations proposed by the Bank's commercial areas, with a view to the earning power and security of its business. Its main duties include: (i) management of the extension of credit by the service network and proposal of guidelines concerning this matter to the executive committee; (ii) management of bank spreads and fees practiced by the Bank in order to better combine the maximization of financial margins and revenues with the development of the Bank's business; and (iii) allocation of resources for financing using the maximum operating potential of the branch network. The executive credit committee meets daily and comprises the chief executive officer and the credit and commercial executives of the Bank.

Executive treasury committee

The executive treasury committee meets weekly with the objective of discussing the macroeconomic and political scenarios, and the effects thereof on market risk variables (interest rates, spreads, exchange rates and equity market indices), and also defining the Bank's exposure to such variables. At the same time it monitors the execution of the financial programming, setting maximum periods for "mismatching" between terms and currencies, minimum currency reserves and the fund raising and investment policy. Its members include the chief executive officer of the Bank, deputy chief operating officer, international division officer and treasury executive.

Credit procedures assessment committee

The credit procedures assessment committee is responsible for defining policies and for the maintenance of credit procedures, which include the commercial and administrative activities of the Bank's executive directors, superintendents and management. The committee is also responsible for setting the credit procedures operational standards, for identifying, analyzing and resolving problems which affect the normal course of credit procedures at any stage, namely credit proposal, credit analysis, credit opinion, credit formalities, disbursement, monitoring and repayment of the credit in normal circumstances, as well as the administrative and/or judicial recovery of irregular credits. The committee is also responsible for the establishment of assessment criteria to assist in credit procedures; for the analysis of probable and effective losses and for the establishment of a plan of action so that the causes for such losses may be corrected and/or eliminated. Finally, the committee is also responsible for informing the management of the Bank on a monthly basis, with regard to ongoing plans to correct and to eliminate causes of probable and effective losses. Its members include: formalities superintendent, credit recovery superintendent, credit manager, receivables verification manager, legal manager, senior lawyer responsible for credit analysis and project management officer.

Information technology steering committee

The duties of the information technology steering committee include the approval and monitoring of investments in technology, fixing of targets and establishment of implementation strategies, in order to provide resources for information technology management, operations and control. This committee meets quarterly and the deputy chief operating officer, the administrative director/officer and the executive information technology officer.

Internal controls committee

The internal controls committee is responsible for defining the general guidelines of the Bank's internal controls policy and its maintenance. Its members meet quarterly and comprise an administrative and a controllership officer, an information technology executive, internal auditing and risk management superintendents and the project management officer.

Risk committee

The Bank's risk committee is responsible for: (i) monitoring the market exposure limits of the Bank's treasury department (nationally and internationally); (ii) establishing methodologies for the quantification and operating limitation of customers and counterparts; (iii) analyzing the legal and image risks of its products; (iv) analyzing the operational flow (and possible weaknesses) of support systems; and (v) monitoring exposure (market and credit) to counterparts, including in derivative positions. The risk committee meets once every two months and comprises the deputy chief operating officer, administrative and controllership officers, treasury and credit executives, treasury, legal, loan renegotiation, risk management and internal auditing superintendents.

Money laundering prevention committee

The duties of the money laundering prevention committee are to: (i) receive, examine and identify suspect events of atypical activities; (ii) decide on infractions and, if applicable, recommend the application of administrative penalties; (iii) issue instructions to the appropriate supervisory or regulatory bodies; (iv) coordinate and propose cooperation and information exchange mechanisms; (v) request information or documents from legal entities, pertaining to the scope of the work of this committee; (vi) determine communication to competent authorities when the occurrence of criminal conduct is verified, or *indicia* of its perpetration or of any unlawful acts; (vii) notify the competent authorities whenever the investigations of this committee conclude for the existence of strong *indicia* of irregularities; and (viii) share information with the competent authorities. This committee meets monthly and comprises the administrative and controllership officers, the risk superintendent and the money laundering prevention manager.

Information security committee

The chief responsibilities of the information security committee are to: (i) analyze the results of security measures applied by the Bank; (ii) analyze and propose corporate security and contingency actions, given the security measures adopted and action priorities; (iii) approve the rules of the Information Security Policy; (iv) set up information security-related task forces, when necessary; and (v) decide on subjects related to information security submitted to this committee. The information security committee meets monthly and is composed of the administrative officer, information technology executive, risk management superintendent, and information security, technology and infrastructure service managers.

Ethics committee

The ethics committee: (i) determines the necessary actions for divulging and disseminating standards of ethical conduct; (ii) monitors the fulfillment and implementation of provisions of the Bank's Code of Ethics, analyzing and ascertaining violations thereof; (iii) opines on actions and questions involving the Bank's ethical and disciplinary principles; (iv) evaluates and discusses subjects that are in non-conformity with provisions of the Code of Ethics, forwarded by employees; (v) resolves doubts concerning the interpretation of the Code of Ethics rules;

(vi) manages and defines best solutions for situations not provided for by the Code of Ethics; (vii) ascertains with impartiality all cases of violation against the Code of Ethics; and (viii) submits to the administrative directorate, at any time, proposals for the amendment or amelioration of the Code of Ethics. The members of this committee are: the back-office superintendent, money laundering prevention manager, the Bank's labor lawyer and the Bank's internal auditor, and the human resources and administrative managers. The members of this committee meet monthly.

Social responsibility committee

The objective of the social responsibility committee is to indicate a strategic direction for socio-environmental policies, standards, investments, training activities and programs, with a view to adding value for all related parties within the field of its social responsibility. It is composed of the planning executive, payroll deductible loan superintendent, commercial superintendent, marketing and communication manager, information security manager, a civil lawyer and the planning analyst. This committee meets fortnightly.

Ombudsman Office (Ouvidoria)

The Bank has established an Ombudsman Office (*Ouvidoria*), which complies with the regulatory requirements of CMN Resolution No. 3,477 of July 26, 2007 and Central Bank Circular No. 3,370 of October 23, 2007. Among the Ombudsman's Office's duties are (i) to provide a formal treatment appropriate to the customers' and users' claims involving the Bank's products and services, (ii) to propose to the Bank's management corrective or improving measures for the procedures and routines as a result of the analysis of claims received, and (iii) to prepare and send to the internal audit, audit committee, Executive Board and Board of Directors, by the end of each semester, a quantitative and qualitative report about the Ombudsman's Office performance, containing the proposals mentioned in item (ii). In addition, the Ombundsman Office must be separated from the unit in charge of internal audit activities.

Fiscal Council

Under Brazilian Corporate Law, the fiscal council is a corporate body independent of the management and independent auditors. A fiscal council may be either permanent or non-permanent, in which case it will be installed at the request of a certain number of shareholders present at any shareholders' meeting in a specific year. The Bank's fiscal council is non-permanent in accordance with its by-laws. When installed, the fiscal council will be composed of a minimum of three and a maximum of five permanent members, with an equal number of alternates, as provided in Brazilian Corporate Law. Under the Bank's by-laws, its fiscal council members are subject to the rules of the market arbitration chamber established by the BM&FBOVESPA. As the Bank's fiscal council is not yet installed, the Bank has not elected any fiscal council members.

The primary responsibilities of the fiscal council are monitoring management activities, reviewing the Bank's financial statements and reporting its findings to the shareholders. Under Brazilian Corporate Law, the Bank is required to pay to fiscal council members, as compensation, a minimum of 10% of the average annual amount paid to its executive officers.

In accordance with Brazilian Corporate Law, the Bank's fiscal council may not include members that are (i) on the Bank's board of directors, (ii) on the Bank's executive board, (iii) employed by the Bank, (iv) employed by a subsidiary or company under common control with the Bank, (v) spouses or close family members of any member of the Bank's board of directors or executive board; or (vi) disable or disqualified by law, judicial order or by the CVM.

Remuneration

In accordance with Brazilian Corporate Law and the Bank's by-laws, its shareholders are responsible for establishing, at a shareholders' meeting, the aggregate amount that the Bank pays to the members of its board of directors and executive board. A board of directors' meeting must in turn allocate this amount among its directors and executive officers.

The aggregate compensation of the members of the Bank's board of directors and executive board for the year 2009 was R$7.8 million. In 2008, the aggregate remuneration of the members of its board of directors and executive board was R$6.2 million. In 2007, the aggregate remuneration of the members of its board of directors and executive board was R$5.5 million. Additionally, in years in which the Bank's shareholders receive the mandatory minimum dividend, the members of its board of directors and executive board are entitled to participate in its profits, after accumulated losses and provision for income tax and social contribution have been deducted, provided that the total amount of this participation shall not be greater than the aggregate annual remuneration or 10% of its profits, the lesser of which shall prevail, as provided in article 152 of Brazilian Corporate Law.

Stock Option Plans

As of the date of this offering memorandum, the Bank has no stock option plans.

Shares Held by the Bank's Directors and Officers

The table below indicates the number of the Bank's shares, and the percentage of total shares this represents, that are directly or indirectly held by its directors and executive officers on the date of this offering memorandum:

Directors and officers	Common shares	%	Preferred shares	%	% of the Bank's total shares
José Adauto Bezerra	15,160,302	9.5	1,460,786	1.5	6.4
Francisco Humberto Bezerra	53,642,757	33.5	4,824,924	4.8	22.4
José Adauto Bezerra Júnior	28,950,121	18.1	3,517,662	3.5	12.5
José Bezerra de Menezes	42,191,160	26.3	10,899,983	10.9	20.4
Milto Bardini	-	-	-	-	-
Sérgio da Silva Bezerra de Menezes	8,330,029	5.2	2,803,296	2.8	4.3
Francisco Edênio Barbosa Nobre	-	-	-	-	-
Carlos José Roque	-	-	-	-	-
Paulo Celso Del Ciampo	-	-	-	-	-

Contracts and Other Relevant Obligations Between the Bank's Management and the Bank

No contracts or other relevant obligations exist between the Bank's management and the Bank.

RELATED-PARTY TRANSACTIONS

According to Brazilian law, financial institutions are not permitted to grant loans, make cash advances or guarantee transactions carried out by their controlling shareholders, affiliates, directors or officers, or close family members of their directors and officers. For more detailed information on the restrictions to which financial institutions are subject, see "Brazilian Banking System and Industry Regulation—Principal Limitations and Restrictions on Financial Institutions." Accordingly, the Bank has not granted loans, made cash advances to, or guaranteed the transactions of, any of the Bank's non-financial affiliates or to the Bank's directors, officers or close family members of the Bank's directors and officers. This prohibition does not limit the Bank's ability to transact in the interbank market with the Bank's affiliates that operate in the financial market.

Certain affiliates and shareholders maintain time deposits with the Bank pursuant to transactions carried out on an arm's-length basis. Arm's-length transactions are approved at meetings held daily by the Bank's treasury committee which determines its funding and considers values and respective applicable interest rates for the Bank's clients and related parties equally. As of December 31, 2009, related party transactions had a total of approximately R$31.8 million in time deposits with the Bank. As of December 31, 2008, related party transactions had a total of about R$68.3 million in time deposits with the Bank.

The table below shows the balances of transactions carried out between the Bank and the Bank's subsidiaries for the year ended December 31, 2009 and for the year ended December 31, 2008:

	As of December 31, 2009				**As of December 31, 2008**			
	BIC Distribuidora	**BIC Arrendamento**	**Others**	**Total**	**BIC Distribuidora**	**BIC Arrendamento**	**Others**	**Total**
Total Assets	**13.6**	**307.8**	**25.8**	**347.2**	**12.9**	**190.1**	**19.3**	**222.3**
Current and non—current assets	13.6	307.8	25.8	347.2	12.9	190.1	19.3	222.3
Cash and cash equivalents	0.0	0.3	0.1	0.4	0.0	0.5	0.1	0.6
Interbank Investment	—	6.1	—	6.1	—	5.0	—	5.0
Securities	13.4	55.6	6.6	75.6	12.7	48.2	7.4	68.4
Leasing operations	—	223.7	—	223.7	—	113.5	—	113.5
Other receivables	0.2	21.8	19.1	41.1	0.2	22.0	11.8	33.9
Other assets	—	0.3	—	0.3	—	0.9	—	0.9
Total Liabilities and Shareholders' Equity	**13.6**	**307.8**	**25.8**	**347.2**	**12.9**	**190.1**	**19.3**	**222.3**
Total Liabilities	**0.8**	**179.2**	**21.8**	**201.7**	**12.9**	**190.1**	**19.3**	**222.3**
Current and non—current liabilities	0.8	179.2	21.8	201.7	0.8	122.2	15.7	138.7
Interbank Deposits	—	46.3	—	46.3	—	—	—	—
Debentures issued	—	110.2	—	110.2	—	113.0	—	113.0
Other liabilities	0.8	22.7	21.8	45.2	0.8	9.3	15.7	25.8
Shareholders' equity	**12.8**	**128.6**	**4.0**	**145.5**	**12.0**	**67.8**	**3.6**	**83.6**
Capital and reserves	12.1	117.8	3.6	133.5	11.2	64.1	*2.8*	78.2
Net income of the period	**0.7**	**10.8**	**0.4**	**12.0**	**0.8**	**3.7**	**0.8**	**5.4**

PRINCIPAL SHAREHOLDERS

The table below contains information relating to the ownership of common and preferred shares by the Bank's shareholders as of December 31, 2009.

	Number of shares and percentage					
	Common	**%**	**Preferred**	**%**	**Total**	**%**
Controlling Shareholders	**101,799,268**	**63.54%**	**3,551,682**	**3.54%**	**105,350,950**	**40.44%**
Gemini Holding	74,472,265	46.48%	2,323,072	2.32%	76,795,337	29.48%
José Bezerra de Menezes[(1)]	4,092,061	2.55%	942,789	0.94%	5,034,850	1.93%
Francisco Humberto Bezerra[(1)]	39,007,560	24.35%	864,561	0.86%	39,872,121	15.31%
José Adauto Bezerra[(1)]	11,272,955	7.04%	152,582	0.15%	11,425,537	4.39%
José Adauto Bezerra Junior[(1)]	10,979,125	6.85%	250,058	0.25%	11,229,183	4.31%
Outros[(1) (2)]	9,120,564	5.69%	113,082	0.12%	9,233,646	3.54%
Bic Corretora	27,327,003	17.06%	1,228,610	1.22%	28,555,613	10.96%
Primus Holding[(1)]	27,327,003	17.06%	1,228,610	1.22%	28,555,613	10.96%
José Bezerra de Menezes[(1)]	10,332,340	6.45%	462,776	0.46%	10,795,116	4.14%
Francisco Humberto Bezerra[(1)]	7,353,696	4.59%	331,725	0.33%	7,685,421	2.95%
José Adauto Bezerra Junior[(1)]	9,640,967	6.02%	434,109	0.43%	10,075,076	3.87%
Relevant Shareholders and Related Parties	**55,597,616**	**34.71%**	**20,068,051**	**20.02%**	**75,665,667**	**29.05%**
José Bezerra de Menezes[(3)]	27,766,759	17.33%	9,494,418	9.47%	37,261,177	14.31%
Sergio da Silva Bezerra de Menezes[(3)]	8,330,029	5.20%	2,803,296	2.80%	11,133,325	4.27%
José Adauto Bezerra Junior[(3)]	8,330,029	5.20%	2,833,495	2.83%	11,163,524	4.29%
Francisco Humberto Bezerra[(3)]	7,281,501	4.55%	3,628,638	3.62%	10,910,139	4.19%
José Adauto Bezerra[(3)]	3,887,347	2.43%	1,308,204	1.30%	5,195,551	1.99%
Norma da Silva Bezerra	1,951	0.00%	-	0.00%	1,951	0.00%
Treasury Shares[(4)]	**-**	**0.00%**	**7,378,400**	**7.36%**	**7,378,400**	**2.83%**
Free Float[(5)]	**2,809,949**	**1.75%**	**69,261,103**	**69.08%**	**72,071,052**	**27.68%**
Total	**160,206,833**	**100.00%**	**100,259,236**	**100.00%**	**260,466,069**	**100.00%**

Notes:

(1) Bank's indirect shareholding.

(2) Among Gemini Holding shareholders, there is no holder of 5% or more of common shares, preferred shares or of the total shares.

(3) Member of the board of directors and/or executive board.

(4) The amount of treasury shares refers to the 3rd repurchase program initiated in March 12, 2009 and is limited to 7,633,700 preferred shares.

(5) The minority shareholders are also considered in the calculation of the free-float percentage.

Shareholders' Agreement

The Bank's controlling shareholders, BIC Corretora and Gemini Holding signed a shareholders' agreement on December 15, 2003, with a duration of 20 years, establishing that (i) they will always vote in a single block in the Bank's shareholders' meetings, in accordance with decisions taken by the shareholders present at a meeting held on the business day immediately preceding the date of the respective shareholders' meeting; (ii) the parties to the shareholders' agreement will have the pre-emptive right in the event of the sale or transfer of part or all the shares representing the Bank's capital; and (iii) the acquirer of the shares under the shareholders' agreement must become a party to the shareholders' agreement, as a condition for the transfer of the Bank's shares.

The shareholders José Adauto Bezerra, Francisco Humberto Bezerra, José Adauto Bezerra Junior and José Bezerra de Menezes became parties to the shareholders' agreement between BIC Corretora and Gemini Holding by signing the first amendment to the shareholders' agreement, dated May 10, 2007, due to the subscription by the preferred shareholders of new shares issued by the Bank at the capital increase carried out on April 9, 2007. The first amendment to the shareholders' agreement has changed the duration of the agreement to 10 years and provided that the members of the board of directors appointed by the controlling shareholders must vote together as a block and in accordance with the decisions taken by the shareholders during the previous shareholders' meeting. All the other provisions of the shareholders' agreements were maintained and remain in force.

Dividend Policy

Brazilian Corporate Law and the Bank's by-laws govern the circumstances in which the Bank may declare and pay dividends and/or interest on shareholders' equity. The Bank's board of directors may approve distributions of dividends and/or interest on shareholders' equity based on the Bank's annual or semi-annual financial statements. The amount of any distribution will depend on several factors, such as the Bank's operating results, its financial condition, its need for funding, its prospects and other factors that the Bank's board of directors and shareholders may deem relevant.

The Bank's by-laws require it to distribute a mandatory dividend corresponding to a minimum of 25.0% of the Bank's annual net income, as adjusted pursuant to Brazilian Corporate Law.

The following table sets out the dividends paid and non-paid but provisioned to be paid by the Bank in the last five years:

Business Year	**Total Dividend**	**Dividend per Share**	**% of Net Income**
	In millions of R$	*R$*	*R$*
2009	108.0	0.41464	33.9
2008	95.4	0.35485	29.8
2007	53.8	0.19340	29.6
2006	34.0	0.10241	32.7
2005	30.0	0.09375	36.5

Share Repurchase Program

On March 12, 2009, the Bank's Board of Directors approved its third preferred share repurchase program. The approval provided for the acquisition limit of 7,633,700 preferred shares and expired on March 12, 2010. As of December 31, 2009, the Bank held 7,378,400 preferred shares in Treasury, totaling R$47.7 million, acquired in the period between March 12, 2009 and December 31, 2009. The average cost of the shares acquired under this program was R$6.46, the minimum cost was R$3.52 and the maximum cost was R$13.20.

The first preferred share repurchase program was approved by the Bank on June 30, 2008 and it was closed on October 20, 2008. The limit for acquisition of this program was 9,227,700 preferred shares, which corresponded to 10.0% of its outstanding preferred shares. On December 9, 2008, the second repurchase program was approved by the Bank and it was closed on March 11, 2009. For this program, the limit for acquisition was of 8,491,000 preferred shares.

THE BRAZILIAN BANKING SYSTEM AND INDUSTRY REGULATION

The basic structure of the Brazilian financial system (*Sistema Financeiro Nacional*) was established by Law No. 4,595, of December 31, 1964, as amended, or Law No. 4,595, which created the CMN and granted the Central Bank, among other things, the powers to issue money and control credit.

Main Regulatory Agencies

The Brazilian financial system comprises the following regulatory and fiscal bodies:

- the CMN;
- the Central Bank;
- the CVM;
- the CNSP (*Conselho Nacional de Seguros Privados*) National Council of Private Insurance;
- the SUSEP (*Superintendência de Seguros Privado*s) – Superintendent of Private Insurance; and
- the National Superintendent of Complementary Pensions (*Superintendência de Previdência Complementar*).

The CMN and the Central Bank regulate the Brazilian banking sector. The CVM is responsible for the policies of the securities market. Below is a summary of the main attributes and powers of each of these regulatory bodies.

The CMN

Currently the CMN is the highest authority in the system and is responsible for Brazilian monetary and financial policy and for the overall formulation and supervision of monetary, credit, budgetary, fiscal and public debt policies. The CMN is responsible for:

- adjusting the volume of payments means to the needs of the Brazilian economy;
- regulating the domestic value of the currency;
- regulating the value of the currency abroad and the country's balance of payments;
- directing the investment of the funds of financial institutions, public or private, taking into account different regions of the country and favorable conditions for the harmonious development of the national economy;
- enabling the improvement of the resources of financial institutions and instruments;
- monitoring the liquidity and solvency of financial institutions;
- coordinating monetary, credit, budgetary, fiscal and public debt policies; and
- establishing the policy used in the organization and operation of the Brazilian securities market.

The Minister of Finance is the Chairman of the CMN, which also comprises the Minister of Planning, Budgeting and Management and the President of the Central Bank.

The Central Bank

Law No. 4,595 granted the Central Bank powers to implement the monetary and credit policies established by the CMN, as well as to regulate and supervise public and private sector financial institutions and to apply the penalties provided for in law, when necessary. According to Law No. 4,595, the Central Bank is also responsible, among other activities, for controlling and monitoring the flow of foreign currency to and from Brazil, receiving mandatory payments and voluntary demand deposits from financial institutions, carrying out rediscount operations and providing loans to banking institutions, in addition to functioning as the depositary for official gold and foreign currency reserves. The Central Bank is also responsible for controlling and approving the operations, the transfer of ownership and the corporate reorganization of financial institutions, as well as setting minimum capital requirements, compulsory reserve requirements and operational limits, among other things.

The President of the Central Bank is appointed by the President of Brazil, subject to ratification by the Federal Senate, to hold office for an indefinite period of time.

The CVM

The CVM is a government agency of the Ministry of Finance, with its headquarters in Rio de Janeiro and with jurisdiction over the whole Brazilian territory. The agency is responsible for implementing the securities policies of the CMN and is able to regulate, develop, control and supervise this market strictly in accordance with Brazilian Corporate Law and securities laws.

The CVM is responsible for regulating the supervision and inspection of publicly-held companies, the trading and transactions in the securities and derivatives markets, the organization, functioning and operations of the stock exchanges and the commodities and futures exchanges and the custody of securities.

According to Law No. 10,303 of October 31, 2001, or Law No. 10,303, the regulation and supervision of financial and investment funds (originally regulated and supervised by the Central Bank) were transferred to the CVM.

The CVM is managed by a president and four directors, appointed, after ratification by the Federal Senate, by the President of Brazil among individuals of established reputation and recognized competence in capital market matters. The term of office of CVM directors is five years, they may not be re-appointed and one fifth of the members of the Board must be renewed each year.

Legal Reform of the Brazilian Financial System—Amendment to the Brazilian Constitution

Former article 192(3) of the Brazilian Constitution, enacted in 1988, established a ceiling of 12% per year ceiling on bank loan interest rates. However, since enactment of the Brazilian Constitution such rate has not been enforced, as the regulation of such provision was pending. Several attempts were made to regulate the limitation on bank loan interest, but none of them were implemented.

In May 2003 Constitutional Amendment 40/03, or EC 40/03, was passed to replace all sub-sections and paragraphs of Article 192 of the Brazilian Constitution. EC 40/03 replaced these restrictive constitutional provisions with a general permission to regulate the Brazilian financial system through specific laws. With EC 40/03, the Brazilian Congress may now vote on several bills dealing with the regulation of the Brazilian financial system, something they would have been unable to do absent the enactment of this constitutional amendment.

Principal Limitations and Restrictions on Financial Institutions

The activities carried out by financial institutions are subject to several limitations and restrictions. In general terms such limitations and restrictions are related to credit granting, risk concentration, investments, sales under repurchase agreements, loans in and trading with foreign currency, investment funds management, micro-credit and payroll deduction credit.

Restrictions on the extension of credit

Financial institutions may not grant loans to, or guarantee the transactions of, their affiliates, except in some limited circumstances. For this purpose, the law defines an affiliate as:

- any company or individual that holds more than 10% of the capital stock of the financial institution;

- any entity whose board of executive officers is made up of the same, or substantially the same members as that of the financial institution's board of executive officers;
- any company in which the financial institution holds more than 10% of the capital stock, or which is under common control with the financial institution; or
- the executive officers and directors of the financial institution and their family members, and any company in which these persons hold more than 10% of the capital stock, or in which they are also managers.

The restrictions with respect to transactions with related parties do not apply to transactions entered into with financial institutions in the interbank market.

Moreover, there are currently certain restrictions imposed on financial institutions limiting the extension of credit to public sector entities, such public companies, as government subsidiaries and governmental agencies, which are in addition to certain limits on indebtedness to which these public-sector entities are already subject.

Repurchase transactions

Repurchase transactions (*operações compromissadas*) are transactions involving assets that are sold subject to an agreement to repurchase. Upon the occurrence of any such conditions, and depending on the terms of the particular agreement, the seller or the buyer may be required to repurchase, or resell the assets, as the case may be. The conditions triggering the repurchase or resale obligation vary from one transaction to the other, and typically must occur within a particular time frame.

Repurchase transactions executed in Brazil are subject to operational capital limits, based on the financial institution's shareholders' equity, as adjusted in accordance with Central Bank regulations. A financial institution may only hold repurchase transactions in an amount up to 30 times its reference shareholders' equity. Within this limit, repurchase transactions involving private securities may not exceed five times the amount of the reference shareholders' equity. Limits on repurchase transactions involving securities backed by Brazilian governmental authorities vary in accordance with the type of security involved in the transaction and the perceived risk of the issuer, as established by the Central Bank.

Foreign currency loans

Financial institutions may borrow foreign currency-denominated funds in the international markets (either through bilateral loans or the issuance of debt securities), for on-lending or other purposes contemplated in the applicable regulation. Banks make those on-lending transactions through loans payable in Brazilian currency and denominated in such foreign currency. The terms of the on-lending must mirror the terms of the original transaction. The interest rate charged on the underlying foreign loan must also conform to international market practices. In addition to the original cost of the transaction the financial institution may only charge an on-lending commission.

The Central Bank may establish limitations on the term, interest rate and general conditions of foreign-currency loans. It frequently changes these limitations in accordance with the economic environment and the monetary policy of the Brazilian government.

Asset management regulation

Asset management was previously regulated by the Central Bank and the CVM. Pursuant to Law 10,198, of February 14, 2001, and Law No. 10,303, the regulation and supervision of both financial mutual funds and variable income funds were transferred to the CVM. On July 5, 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM. The asset management industry is also self-regulated by ANBIMA (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*), which enacts additional rules and policies, especially with respect to marketing and advertising.

Only individuals or entities authorized by the CVM may act as managers of third-party assets. Financial institutions must segregate the management of third-party assets from their other activities. These institutions must appoint an officer as the agent responsible for the management and supervision of such assets.

The Central Bank, except in very specific circumstances, has prohibited institutions that manage third-party assets and their affiliated companies from investing in fixed rate income funds that they also manage. The CVM allows investments in equity funds. There are specific rules regarding mutual fund portfolio diversification and composition, which aim to reduce exposure to certain types of risk.

Pursuant to a change introduced by the Central Bank in February 2002, fund managers are required to mark their fixed-income securities to market and results in such fund's portfolio assets must be accounted for at their fair market value.

On August 18, 2004, the CVM enacted Instruction No. 409, as amended, which consolidated the rules applicable to investment funds (except for structured investment funds, which are regulated by specific rules).

Micro-credit regulation

The Brazilian government has taken several measures intended to encourage lower-income individuals to have greater access to the Brazilian financial system. Such measures include the requirement for allocation, the simplification of banking procedures and the flexibility of certain of credit union (*cooperativas de crédito*) regulations.

Since 2003, commercial banks, full service banks licensed to provide commercial banking services, and the *Caixa Econômica Federal* must allocate 2% of their cash deposits to low-interest-rate loan transactions designated for lower-income individuals, small companies and informal entrepreneurships, following a specific methodology. Interest rates on these loans cannot exceed 2% per month (or 4% per month in specific production finance transactions), the repayment term cannot be less than 120 days except in specific circumstances, and the principal amount of the loan cannot exceed R$1,000 for individuals and R$3,000 for micro-enterprises (or R$10,000 in specific production finance transactions).

Regulations aimed at ensuring the strength of the Brazilian financial system

Restrictions on risk concentration

Brazilian law prohibits financial institutions from concentrating their risk in only one person or group of related persons. The law prohibits a financial institution from extending credit to any person or group of related persons in an aggregate amount equivalent to 25% or more of the financial institution's reference capital. This limitation applies to any transactions involving the extension of credit, including those involving:

- loans and advances;
- guarantees; and
- the underwriting, purchase and renegotiation of securities.

Restrictions to investment

Financial institutions may not:

- hold, on a consolidated basis, permanent assets that exceed 50% of their reference shareholders' equity;
- own real property, other than property for its own offices and service outlets; or
- acquire equity investments in other financial institutions abroad, without prior approval by the Central Bank.

When a bank receives real estate in satisfaction of a debt, such property must be sold within one year. Such one year limit may be extended for two additional periods of one year, subject to the Central Bank's approval.

Internal compliance procedures

All financial institutions must establish internal policies and procedures to control their:

- activities;
- financial, operational and management information systems; and
- compliance with all applicable regulations.

The board of executive officers of a financial institution is responsible for implementing an effective structure of internal controls, by defining responsibilities and control procedures and establishing corresponding goals at all levels of the institution. The board of executive officers is also responsible for verifying compliance with internal procedures.

An internal audit department, which reports directly to the company's board of directors, must be responsible for monitoring the internal control system.

Independent auditors and audit committee

Resolution No. 3,198, issued by the CMN on May 27, 2004, as amended, or CMN Resolution No. 3,198, established certain requirements in respect of financial institutions' independent accountants and required financial institutions to have an audit committee.

Independent accountants must audit the financial statements of all financial institutions. Independent accountants can only be hired if they are registered with the CVM, certified in specialized banking analysis by the IBRACON, and by the Institute of Brazilian Independent Auditors (*Instituto dos Auditores Independentes do Brasil*) and if they meet several requirements that assure their independence. Moreover, financial institutions must replace their independent accounting firm at least every five consecutive years (requirement suspended until December 31, 2008, pursuant to CMN Resolution No. 3,606, enacted on September 11, 2008). Former accountants can be rehired only after three complete years have passed since their prior service. The financial institutions must designate a technically qualified senior manager to be responsible for compliance with all regulations regarding financial statements and auditing.

In addition to preparing an audit report covering the financial statements, the independent accountants must prepare:

- a report on the financial institution's internal controls showing all deficiencies found; and
- a description of the financial institution's non-compliance with applicable regulation material to the financial institution's financial statements or activities.

Pursuant to CMN Resolution No. 3,198, all financial institutions (i) with a reference capital or a consolidated reference capital equal to or greater than R$1 billion, (ii) managing third parties assets in the amount equal to or greater than R$1 billion or (iii) managing third parties assets and deposits in the aggregate amount equal to or greater than R$5 billion, must create an internal audit committee within one year from indicating in its financial statements that any such parameter has been reached. For the Bank, the trigger for this obligation was the consolidated reference capital referred in its financial statements as of and for the year ended December 31, 2007. The audit committee must be created pursuant to the financial institution's by-laws and must be composed of, at a minimum, three individuals, at least one of whom is an expert in accounting and auditing. The audit committee must report directly to the board of directors.

The independent accountants, in the course of their audit or review procedures, and the audit committee must immediately communicate to the Central Bank any event that may materially adversely affect the financial institution's status, including material non-compliance with applicable regulations.

Financial reporting and auditing requirements

Brazilian law requires financial institutions to prepare their financial statements in accordance with certain standards set forth by Brazilian Corporate Law and other applicable regulations. As a financial institution the Bank is required to have its financial statements audited every six months. Quarterly financial information, as required by Central Bank and CVM regulations, is subject to review by independent accountants.

New CMN regulation for credit assignment

Resolution No. 3,533, issued by CMN on January 31, 2008 (effective as from January 1, 2011) provides changes to the manner in which assigned loans are to be treated in the Bank's books. In accordance with Resolution No. 3,533, if the assignor substantially keeps the risks and benefits of the assigned credits, such credits may not be recorded as off balance sheet loans. This provision shall also be applicable to (i) assignments with repurchase commitment; (ii) assignments in which the assignor undertakes the obligation to compensate the assignee for losses; and (iii) assignments made jointly with the acquisition of junior shares of FIDCs.

Capital adequacy guidelines

Brazilian financial institutions must comply with guidelines established by the Central Bank and the CMN that are similar to those of the Basel Accord on risk-based capital adequacy. The requirements imposed by the Central Bank and the CMN differ from the Basel Accord in a few aspects. Among other differences, the Central Bank and the CMN:

- impose a minimum capital requirement of 11% in lieu of the 8% minimum capital requirement of the Basel Accord;

- require that swap, interest rates and exchange transactions must be accounted for in the calculation of the regulatory capital;

- assign different risk weights to certain assets and credit conversion amounts, including a risk weight of 300% on deferred tax assets relating to income and social contribution taxes; and

- require banks, pursuant to Resolution No. 3,490, issued by CMN on of August 29, 2007, and Circular No. 3,383, dated April 30, 2008, to set aside a portion of their equity to cover operational risks (i.e., losses arising from failures, deficiencies or inadequacies of internal proceedings, personnel or systems, including those due to external events). This resolution became effective on July 1, 2008, and the required portion of equity varies from 12% to 18% of amounts representing averages of income arising from financial intermediation and rendering of services.

Regulatory capital, or the "reference capital," is considered for the determination of operating limits of Brazilian financial institutions, and is represented by the sum of the following two tiers:

Tier I equity is represented by the sum of amounts corresponding to net assets, the balance of profit and loss accounts of creditors and deposits in escrow accounts to cover capital shortages (pursuant to the terms of Resolution No. 3,398, issued by CMN on August 29, 2006), excluding amounts corresponding to: (i) debtor profit and loss account balances; (ii) re-evaluation reserves, contingency reserves and special reserves for profits relating to non distributed obligatory dividends; (iii) preferential shares issued with a redemption clause and preferential shares with the accumulation of dividends; (iv) tax credit (Resolution No. 3,059, issued by CMN on December 20, 2002); (v) permanent deferred assets, less the goodwill paid in the acquisition of investments; and (vi) the balance of unearned gains and losses resulting from the adjustment in the market value of securities classified as "securities available for sale" and derivative financial instruments used for cash flow hedge.

Tier II equity is represented by the sum of amounts corresponding to re-evaluation reserves, contingency reserves and special profit reserves relating to non-distributed mandatory dividends added to amounts corresponding to: (i) hybrid capital and debt contracts, subordinated debt contracts, preferential shares issued with a redemption clause and preferential shares with the accumulation of dividends issued by financial institutions; and (ii) the balance of unearned gains and losses resulting from the adjustment in the market value of securities classified as "securities available for sale" and derivative financial instruments used for cash flow hedge.

The total amount of Tier II equity is limited to the total amount of Tier I equity, *provided* that (i) the total amount of revaluation reserves is limited to 25% of the Tier I equity; (ii) the total amount of subordinated debt plus the total amount of redeemable preferred shares with an original term to maturity below 10 years is limited to 50% of the total amount of the Tier I; and (iii) a 20% to 100% reduction will be applied to the amount of subordinated debt authorized for Tier II equity and of redeemable preferred shares during the period between 60 and 12 months preceding their respective maturities.

Financial institutions must calculate the reference capital on a consolidated basis. As of July 2007, the balances of assets represented by shares, hybrid equity and debt instruments, subordinated debt instruments and other financial instruments authorized by the Central Bank for inclusion in Tier I and Tier II, issued by financial institutions authorized by the Central Bank, must be deducted from the reference capital. In addition, investment fund quotes proportional to these instruments must also be deducted from the reference capital, as well as amounts relating to (i) equity in financial institutions which information the Central Bank does not have access to; (ii) excess funds applied to permanent assets pursuant to the current regulation; and (iii) funds delivered to or available by third parties for related transactions.

In addition to the minimum limits of realized capital and shareholders' equity set forth in the legislation in force, financial institutions must keep their reference shareholders' equity compatible with the exposure of their assets, liabilities, and offsetting accounts. Financial institutions may only distribute income on any account in amounts that exceed the amounts that may be required by law or by the applicable regulation when such distribution does not prevent compliance with the capital and shareholders' equity standards.

Corporate structure

Except for the cases set forth as exceptions in the law, financial institutions must be organized as corporations (*sociedades anônimas*) and be subject to the provisions under Brazilian Corporate Law and the regulations issued by the Central Bank, and to inspections by the CVM if they are registered as publicly held corporations.

The capital stock of financial institutions may be divided into voting or non-voting shares, where non-voting shares may not exceed 50% of the total capital stock.

Classification of credit and allowance for loan losses

Under Central Bank regulations, financial institutions are required to classify their loan transactions with companies into nine categories, ranging from AA to H, in accordance with their risk. Risk assessment includes an evaluation of the borrower, the guarantor and the relevant loans. Credit classifications are determined in accordance with Central Bank criteria relating to:

- characteristics of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, delay in payments, contingencies and credit limits; and

- characteristics of the transaction, such as its nature and purpose, the sufficiency of the collateral, the level of liquidity and the total amount of the loan.

The regulations specify for each loan category, a minimum provision as follows:

Loan rank	Minimum provision
AA	—
A	0.5%
B	1%
C	3%
D	10%
E	30%
F	50%
G	70%
H	100%

In general, banks must review their loan classifications annually. However, except for loans amounting to less than R$50,000, banks must review loans:

- semi annually in any case where the aggregate amount of loans extended to a single borrower or economic group exceeds 5% of the bank's reference shareholders' equity; and

- monthly in case the loans become overdue.

A loan may be upgraded if it has a credit support or downgraded if it is in default. Banks must write off loans six months after they are ranked H.

In case of loan transactions with individuals, the loan is graded based on data including the individual's income, shareholders' equity and credit history (as well as other personal data).

For loans that are past due, the regulations establish maximum risk classifications, as follows:

Number of days overdue(1)	Maximum classification
15 to 30 days	B
31 to 60 days	C
61 to 90 days	D
91 to 120 days	E
121 to 150 days	F
151 to 180 days	G
More than 180 days	H

Note:
(1) For operations with a maturity date more than 36 months, the period may be counted in doubled.

Financial institutions are required to determine, on a monthly basis, whether any loans must be reclassified as a result of these maximum classifications, and, if so, must adjust their provisions accordingly:

- 0.5% of the amount of transactions classified as category A risk;

- 1% of the amount of transactions classified as category B risk;

- 3% of the amount of transactions classified as category C risk;

- 10% of the amount of transactions classified as category D risk;

- 30% of the amount of transactions classified as category E risk;

- 50% of the amount of transactions classified as category F risk;

- 70% of the amount of transactions classified as category G risk; and

- 100% of the amount of transactions classified as category H risk.

Finally, financial institutions are required to make their lending and loan ranking policies available to the Central Bank and to their independent accountants. They must also provide information relating to their loan portfolio along with their financial statements, including:

- breakdown of lending activities and nature of the borrower;
- maturity of the loans;
- amounts of rolled over, written off and recovered loans;
- loan portfolio diversification, in accordance with the risk classification; and
- overdue loans, divided between those up to 15 days overdue and those that are more than 15 days overdue.

Central Bank credit risk system

Financial institutions are required to provide information to the Central Bank concerning the extension of credit and guarantees rendered to clients. The information is used to:

- strengthen the Central Bank's supervisory capacity;
- make information concerning debtors available to other financial institutions (however, other institutions can only access information to client's authorization); and
- prepare macro-economic analyses.

Anti-tax evasion law

Generally, information protected by bank secrecy laws can only be furnished in compliance with a court order or an order by a Federal Congressional Inquiry Committee (*Comissão Parlamentar de Inquérito*), or CPI.

However, the Central Bank is authorized to require financial institutions to provide information generally protected by bank secrecy without judicial authorization within the performance of its supervisory powers, as long as they have strong circumstantial evidence that a customer has engaged in tax evasion. Such evidence may be represented by, among others:

- declarations by the customer of transactions with a value lower than their market value;
- loans acquired from sources outside the financial system;
- transactions involving "tax havens";
- expenses or investments which exceed the declared available income;
- overseas currency remittances through non-resident accounts in amounts which exceed the declared available income; and
- legal entities that have their registration with the General Taxpayers Registry cancelled or declared null.

Regulations affecting liquidity in the financial market

Reserves and other requirements

In light of the global financial crisis, the CMN and the Central Bank enacted measures to change Brazilian banking law in order to provide financial markets with greater liquidity, including:

- a discount from the time deposits reserve requirement of R$2 billion;
- a reduction of the rate applicable for reserve purposes on additional time deposit and demand deposit reserve requirements from 8% to 4%, and 8% to 5%, respectively;
- an authorization for banks to deduct the amount of foreign currency acquisition transactions with the Central Bank from the reserve requirements on interbank deposits of commercial leasing companies; and
- a reduction of the rate of compulsory demand deposits from 45% to 42%.

On October 24, the Central Bank enacted Circular No. 3,416, which permits financial institutions to deduct the amount equal to the anticipated contribution to the FGC from the compulsory deposits of demand deposits.

On October 6, 2008, the President of Brazil sanctioned Provisional Measure No. 442 (which became law through the enactment of Law No. 11,882 of December 23, 2008), which is regulated by Resolution No. 3,622, issued by CMN on October 9, 2008 (as amended by several CMN Resolutions), Circular No. 3,409, dated October 10, 2008, and Circular No. 3,418, dated November 4, 2008, as amended, which permits the Central Bank to: (i) acquire credit portfolios from financial institutions through rediscount operations; and (ii) grant loans in foreign currencies in order to finance Brazilian export transactions. The term of such rediscount operations and loans in foreign currencies will be up to 360 days. Upon the expiration of such term, the financial institution must repurchase its assets. The repurchase price of rediscount operations will be equal to the original purchase price plus interest charged at a rate equal to the SELIC rate and 4% per annum.

The Central Bank may, with respect to rediscount operations, require financial institutions to: (i) pay additional amounts in order to meet risks to which a financial institution may be exposed; (ii) adopt more restrictive operational limits; (iii) restrict their activities to certain types of transactions or operational practices; (iv) readjust their adequate liquidity levels; (v) suspend the distribution of any earnings above the minimum required by law; (vi) prohibit acts that may increase managers' remuneration; and (vii) prohibit the development of new lines of business; and (viii) prohibit the sale of assets.

Reserve requirements

The Central Bank currently imposes several compulsory reserve requirements on financial institutions. Financial institutions must deposit those reserves with the Central Bank. The Central Bank uses reserve requirements as a mechanism to control the liquidity of the financial system. The reserves imposed on demand deposits, savings deposits and time deposits account for substantially all amounts required to be deposited with the Central Bank.

Some of the current types of reserves required under Brazilian law include:

Demand deposits. Pursuant to Circular No. 3,274, dated February 10, 2005, as amended, enacted by the Central Bank, banks and other financial institutions are generally required to deposit 42% of the daily average balance of their demand deposits, bank drafts, collection of receivables, collection of tax receipts, debt assumption transactions and proceeds from the realization of guarantees granted to financial institutions in excess of R$44 million with the Central Bank on a non-interest-bearing basis. At the end of each day, the balance in such account must be equivalent to at least 80% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the following week.

Savings accounts. Currently, pursuant to Circular No. 3,093, dated March 1, 2002 as amended by Circular No. 3,128, dated June 24, 2002, and Circular No. 3,130, dated June 27, 2002, enacted by the Central Bank, the Central Bank has established that Brazilian financial institutions are generally required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, an amount in cash equivalent to 20% of the average aggregate balance of savings accounts during the prior week. In addition, a minimum of 65% of the total amount of deposits in savings accounts of the entities of the Brazilian Savings and Loans System (*Sistema Brasileiro de Poupança e Empréstimo*, or SBPE, must be used to finance residential real estate or the housing construction sector, except for specific situations that took place in 2005. Amounts that can be used to satisfy this requirement include, in addition to direct residential real estate financings, mortgage notes, charged-off residential real-estate loans, and certain other financings, all as specified in guidance issued by the Central Bank. Pursuant to Resolution No. 3,023, dated as of October 11, 2002, as amended, the CMN established an additional reserve requirement of 10% on the savings account funds captured by the entities of SBPE. CMN Resolution No. 3,634 of November 13, 2008, allows financial institutions to use securities issued by the Brazilian federal government to satisfy this additional reserve requirement.

Time deposits. Pursuant to Circular No. 3,091, dated March 1, 2002, enacted by the Central Bank, as amended, 15% of financial institutions' time deposits and certain other amounts in excess of R$2.0 billion are subject to reserve requirements 45% of the amounts subject to such reserve requirement shall be linked to Brazilian government securities registered out in the SELIC system. At the end of each day, the amount of such securities shall be equivalent to 100% of the reserve requirement. The remaining portion of the time deposits and certain other amounts subject to such reserve requirement shall be deposited in cash on a non interest bearing basis.

Additional reserve requirement (demand deposits, saving accounts and time deposits). On August 14, 2002, the Central Bank, by means of Circular No. 3,144, as amended, established an additional reserve requirement on deposits captured by multiple-service banks, investment banks, commercial banks, development banks, credit, financing and investment companies, real estate companies and savings and loan associations.

Pursuant to such regulations, the aforesaid entities are required to deposit Brazilian Government Securities registered with SELIC with the Central Bank, on a weekly basis, the cash equivalent to the sum of the following amounts in excess of R$1.0 billion: (i) 8% of the arithmetic mean of the time deposits funds and certain other amounts subject to the respective reserve requirement; (ii) 10% of the arithmetic mean of the savings deposits funds subject to the respective reserve requirement; and (iii) 8% of the arithmetic mean of the demand deposits funds subject to the respective reserve requirement. Such amounts must be linked to Brazilian government securities registered in the SELIC system. At the end of each day, the amount of such securities must be equivalent to 100% of such additional reserve requirement.

Deposits and Guarantees. Pursuant to Circular 3,090, dated March 1, 2002, financial institutions are required to deposit with the Central Bank, on a non interest bearing basis, an amount in cash equivalent to 45.0% of the amounts corresponding to the sum of the average balance of (a) deposits made by individuals or legal entities domiciled abroad, compulsory deposits and linked deposits in excess of R$2.0 billion, and (b) agreements with assumption of obligation related to transactions carried out in Brazil and guarantees granted by them (*garantias realizadas*) in excess of R$2.0 billion. At the end of each day, the balance in such account shall be equivalent to at least 100% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the next following week. In addition, historically the Central Bank has imposed certain compulsory deposit requirements on other types of transactions that are no longer in effect, but there is no assurance that the Central Bank will not impose similar restrictions in the future.

Foreign currency and gold exposure. Pursuant to CMN Resolution No. 3,488 of August 29, 2007, the total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30% of its reference shareholders' equity.

Rural lending. According to the Manual of Rural Lending, as published by the Central Bank, financial institutions are required to maintain a daily average balance of rural lending not lower than 25% of the daily balance of all accounts subject to compulsory reserve requirements. Financial institutions must provide the Central Bank with evidence of compliance with such requirement by the fifth business day of each month. A financial institution that does not meet this requirement will be subject to payment of fines calculated over the daily difference between the requirement and the portion actually used for rural lending and a pecuniary penalty or, at the financial institution's discretion, to deposit the unused amount until the last business day of the subsequent month in a non-interest bearing account maintained with the Central Bank.

Repurchase agreements, export notes, etc. The Central Bank at times has established a reserve requirement for certain types of financial transactions, such as repurchase agreements, export notes, derivative transactions and certain types of assignments. Central Bank Circular No. 2,820 dated May 27, 1998 currently sets this reserve requirement at zero.

In addition, historically the Central Bank has imposed on other types of transactions certain compulsory deposit requirements that are no longer in effect, and could re-impose these requirements or impose similar restrictions in the future. For more information on Central Bank restrictions, see "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry."

Provisional Measure No. 472/09, enacted by the Brazilian government on December 15, 2009, created a legal structure that allowed financial institution to issue a new type of long term debt security. On February 25, 2010 the CMN issued Resolution No. 3,836, regulating the issuance of Financial Bills (*Letras Financeiras*), or LFs. Pursuant to CMN Resolution No. 3,836, the LFs must have a minimum nominal amount of R$300,000, and a minimum tenor of 24 months. The LFs may be publicly offered in the Brazilian capital markets in accordance with applicable CVM regulations, except for LFs with subordination provisions.

Taxation of financial transactions

Financial transactions in Brazil are generally subject to income tax and to tax on financial transactions (*Imposto Sobre Operações Financeiras*), or IOF.

Income tax assessed on the income deriving from financial transactions by Brazilian residents generally depend on: (i) the type of investment (fixed or variable income), and (ii) the investments' terms (long-term investments are usually subject to lower rates). The income tax assessed on income deriving from financial transactions (a) is considered for Brazilian legal entities as a pre-payment of the corporate income tax due by them and (b) is final for individuals that are Brazilian residents. Investments in Brazilian financial and capital markets by individuals or legal entities resident or domiciled abroad are generally subject to the same taxation rules applicable to Brazilian residents, except for foreign investments made in accordance with the rules set forth by the CMN, which currently benefit from a special taxation regime.

The income on financial transactions received by Brazilian entities is also subject to the COFINS and the PIS and must be included in the taxable corporate income, which is subject to the Corporate Income Tax, or IRPJ and the CSLL. The PIS and COFINS rates are currently reduced to zero in relation to the majority of financial revenues received by entities subject to the non-cumulative PIS/COFINS taxation system.

Tax on financial transactions (IOF)

The IOF is a tax levied on foreign exchange, securities, credit and insurance transactions. The IOF rate may be changed by an Executive Decree (rather than a law). In addition, the IOF rate is not subject to the *ex-post-facto* principle, which provides that laws increasing the rate of existing taxes or creating new taxes will only come into effect (i) on the first day of the year following their publication, or (ii) ninety days after their publication, depending on the kind of the relevant tax. A statute increasing the IOF rate will therefore take effect from its publication date.

With regard to foreign exchange transactions, notwithstanding the maximum permitted IOF rate being 25%, the remittance or receipt of amounts from or into Brazil are currently subject, as a general rule, to a 0.38% tax rate. Nevertheless, other rates may apply to particular transactions, such as:

(i) foreign exchange transactions in connection with any inbound funds related to foreign loans with a minimum average term not exceeding 90 days, which are subject to the IOF at a 5.38% rate;

(ii) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards, in which case the rate is 2.38% of the amount of the transaction;

(iii) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards by the Federal Union, States, Municipalities, Federal District, as well as its foundations and autarchies, in which case the rate is 0%;

(iv) foreign exchange transactions related to export of goods and services, in which case the rate is 0%;

(v) foreign exchange transactions for the inflow and outflow of funds related to investments made by investment funds that invest in non-Brazilian markets in accordance with the rules set forth by Brazilian Securities Commission – CVM, in which case the rate is 0%;

(vi) foreign exchange transactions for the inflow and outflow of funds, related to investments made by non-residents in the Brazilian financial and capital markets, in which case the respective rates are 2% and 0%;

(vii) foreign exchange transactions for the remittance of interest on net equity and dividends earned by foreign investors in connection with the investments mentioned in item (vi) above, in which case the rate is 0%;

(viii) foreign exchange transactions performed between financial institutions, in which case the rate is 0%;

(ix) foreign exchange transactions made by international air transportation companies, domiciled abroad, for purposes of remitting resources derived from its local revenues, in which case the rate is 0%;

(x) foreign exchange transactions made as of March 17, 2008 by financial institutions for purposes of transferring within Brazil resources obtained abroad, in which case the rate is 0%;

(xi) foreign exchange transactions for the inflow of funds to cover expenses incurred in the country with credit cards issued abroad, in which case the rate is 0%; and

(xii) foreign exchange transaction related to the acquisition of foreign currency by financial institutions simultaneously contracted with a foreign currency sale transaction, in which case the rate is 0%;

(xiii) foreign exchange transactions for the inflow and outflow of funds related to external credits obtained as from October 23, 2008, which are subject to IOF rate at 0%.

The IOF tax may be also levied on issuances of bonds or securities, including transactions carried out on Brazilian stock, futures or commodities exchanges. The rate of the IOF tax with respect to many securities transactions is currently 0%, although certain transactions may be subject to specific rates. The Executive Branch, however, has the legal authority to increase the rate to a maximum of 1.5% per day of the amount of the taxed transaction, during the period in which the investor holds the securities, up to the amount equal to the gain made on the transaction and only from the date of its increase or creation.

IOF is also assessed on gains realized in transactions with terms of less than 30 days consisting of the redemption, sale, assignment, repurchase or renewal of fixed-income investments or the redemption of shares of investment funds or investment pools. The maximum rate of IOF payable in such cases is 1% per day, up to the amount equal to the gain made on the transaction, and decreases with the length of the transaction, reaching zero for transactions with maturities of at least 30 days, except that the rate for the following types of transactions is currently 0%:

- transactions carried out by financial institutions and other institutions chartered by the Central Bank as principals;

- transactions carried out by mutual funds or investment pools themselves;

- transactions carried out in the variable yield markets, including those performed in stock, futures and commodities exchanges and similar entities;
- redemptions of shares in stock investment funds and stock investment pools; and
- transactions carried out by governmental entities, political parties and worker's syndicates.

IOF also applies to credit transactions, except for foreign credit. The IOF levied on credit transactions is usually assessed (i) at a daily rate of 0.0041%, up to a limit of 1.5%. Additionally, an IOF surtax of 0.38% is currently applicable to most of the credit transactions, regardless of the term for the transaction maturing. However the rate of IOF levied on credit transactions may be increased at any time by the Executive Branch to a maximum of 1.5% per day. Any such increase applies only to future transactions.

The IOF tax is levied on insurance transactions at a rate of: (i) zero in the operations of reinsurance, relating to export credits or to the international transport of goods and in operations in which the premiums are allocated to the financing of life insurance plans with coverage for survival, among others; (ii) 0.38% of premiums related to life insurance plans without coverage for survival, among others; (iii) 2.38% of premiums paid in the case of health insurance; and (iv) 7.38% of premiums paid in the case of other types of insurance. Rural insurance, among certain other specific insurance transactions, is exempt from IOF. In any case, the rate of IOF levied on insurance transactions may be increased at any time by the Executive Branch to a maximum of 25%. Any such increase applies only to future transactions.

Taxation of corporations

Brazilian companies' income tax is made up of two components, a federal income tax, or IRPJ, and a social contribution tax on taxable profits, which is known as the CSLL. The federal income tax includes two components: a federal income tax and an additional income tax. As of January 1, 1996, the federal income tax is assessed at a combined rate of up to 25% of adjusted net income (the normal rate for Brazilian legal entities is 15%, plus 10% for legal entities with annual profits exceeding R$240,000). Pursuant to Provisory Measure No. 66, ratified by Law No. 10,637 of December 30, 2002, as of January 1, 2003, CSLL is assessed at a rate of 9% of adjusted net income. Provisory Measure No. 413 of January 3, 2008, ratified by Law No. 11.727 of June 24, 2008, increased to 15% the CSLL rate applicable specifically to financial institutions.

Companies are taxed based on their worldwide income rather than on income produced solely in Brazil. Therefore, profits, capital gains and other income obtained abroad by Brazilian entities will be computed in the determination of their net profits. In addition, profits, capital gains and other income obtained by foreign branches or income obtained from subsidiaries or foreign corporations controlled by a Brazilian entity will also be computed in the calculation of such entity's profits, in proportion to its participation in such foreign companies' capital. The Brazilian entity is allowed to deduct any income tax paid abroad, up to the amount of Brazilian income taxes imposed on such income.

As of January 1, 2002, Provisory Measure No. 2,158-35 determined that such profits, capital gains and other income obtained abroad by a controlled or affiliate company shall be subject to taxation on an accrual basis by the Brazilian entity on December 31, of every fiscal year. In addition, Provisory Measure No. 2,158-35 also established that any such profit, capital gain and other income obtained that has not been subject to taxation until December 31, 2001 shall be taxed by the Brazilian entity on December 31, 2002. Finally, as of 1999, profits, capital gains and other income obtained abroad are also subject to the CSLL tax provided that the limits established by the applicable legislation are observed.

Law No. 9,249 allows a corporation to deduct from its net profits for tax purposes any interest paid to shareholders as remuneration of the shareholders' equity called "interest on net equity" or "interest on shareholder's capital." Such interest may be deducted for purposes of calculating IRPJ and CSLL.

Distributions may be paid in cash. The interest is calculated on the net equity accounts in accordance with the daily pro rata variation of the TJLP, as determined by the Central Bank from time to time, and cannot exceed the greater of:

(i) 50% of the net income (after the deduction of CSLL, but before the income tax provision taxes and the deduction of the interest amount attributable to shareholders) related to the period in respect of which the payment is made; or

(ii) 50% of the sum of retained profits and profits reserves as of the date of the beginning of the period in respect of which the payment is made.

Section 26 of Provisional Measure 472 creates new deductibility rules that must be followed for payments to parties located in a Low Tax Jurisdiction, in a country or dependency where the local legislation does not allow access to information related to the shareholding composition of legal entities, to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents or that are under a privileged tax regime. As result of the fact that Provisional Measure 472 is very recent, many issues remain unclear relating to its applicability, such as the full understanding of the new conditions, its applicability as to payments of interest on shareholder's capital and the date on which its enforceability starts, as well as to which payments Section 26 is applicable to. Finally, Provisional Measure 472 must still be approved by the Brazilian Congress. These new regulations may have an impact on the transactions performed by any Brazilian company.

Any payment of interest to shareholders is subject to withholding income tax at the rate of 15%, or 25% in the case of a shareholder who is domiciled in a country that does not impose income tax or where the maximum income tax rate is lower than 20%, or a Low Tax Jurisdiction. These payments may be qualified, at their net value, as part of any mandatory dividend.

Tax losses carried forward are available for offset during any year up to 30% of the annual taxable income. No time limit is currently imposed on the application of tax losses to offset future taxable income.

Law No. 9,249 also eliminated the existing 15 percent withholding income tax applicable to dividends distributed to shareholders of Brazilian corporations, resident or non-resident. Currently, dividends paid by a Brazilian corporation, including stock dividends and other dividends paid to a resident or non-resident, are currently not subject to withholding income tax in Brazil to the extent that such amounts are related to profits generated as of January 1, 1996.

As to the deductibility of expenses for corporate income taxes purposes Provisional Measure 472 also created conditions that must be met in order for the interest payments on debt obligations with related parties located outside Brazil or to parties located in a Low Tax Jurisdiction, in a country or dependency where the local legislation does not allow access to information related to the shareholding composition of legal entities, to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents or that are under privileged tax regimes be considered as deductible expenses (i.e., excluded from the taxable basis of corporate taxes). In general terms, Section 24 and 25 aim at introducing in the Brazilian tax system "debt/equity ratio rules". In accordance with such rules, payments of interest on debt obligations to certain related parties located outside Brazil must observe limits which are based on the net worth of the Brazilian debtor and vary depending on the location of the beneficiary of the interest payments.

Additionally, gross revenues of companies are taxed by two different social contributions, the PIS and the COFINS. Nonetheless, certain items of income, such as dividends, equity pick up, revenues from the sale of fixed assets and export revenues paid in foreign currency are not included in the calculation base for PIS and COFINS.

As of December 1, 2002, pursuant to Provisory Measure No. 66 of August 29, 2002, ratified by Law No. 10,637 of December 30, 2002, the non-cumulative regime of the PIS contribution was established, and its rate was increased, specifically for such regime, from 0.65 percent to 1.65 percent. However, according to the provisions of the above-mentioned law, this new rate does not apply to financial institutions. These remain subject to the 0.65 percent tax rate.

According to Law No. 10,684 of May 30, 2003, as of September 1, 2003, the rate of COFINS applicable to financial institutions was increased from 3 percent to 4 percent. In addition, as of February 1, 2004, pursuant to Provisory Measure No. 135 of August 30, 2002, ratified by Law No. 10,833 of December 29, 2003, the non-cumulative regime of the COFINS contribution was established and its rate was increased, specifically for such regime, from 3 percent to 7.6 percent. Like the new non-cumulative PIS tax regime, the new COFINS regime is not applicable to financial institutions, which remain subject to a 4 percent tax rate, as provided for by Law No. 10,684.

Law No. 9,481 of August 13, 1997, as amended by article 20 of Law No. 9,532 of December 10, 1997, had consolidated the zero percent rate of the withholding tax exemption applicable to a number of international credit transactions. The payment of interest, fees and commissions with respect to the following international credit transactions were not subject to the withholding of Brazilian income tax: (i) certain loans with an average maturity equal to or exceeding 15 years; and (ii) bonds, notes and commercial paper with an average maturity equal to or exceeding 96 months. Pursuant to Law No. 9,959 of January 27, 2000, the exemptions described in items (i) and (ii) above are no longer in effect in relation to transactions entered into from January 1, 2000, on which date the withholding tax applicable to these transactions became 15 percent (or any other lower rate applicable pursuant to a relevant tax treaty).

Until January 1, 2005, income arising from investments in fixed income funds and from other fixed income investments was subject to withholding income tax, or IRRF, at a rate 20 percent. Law No. 11,033 amended the regime, determining that IRRF taxation be based on the duration of the investment as follows:

- 22.5 percent for investments of one hundred and eighty days or less
- 20 percent for investments of between one hundred and eighty one days and three hundred and sixty days;
- 17.5 percent for investments of between three hundred and sixty one days and seven hundred and twenty days; and
- 15 percent for investments held for more than seven hundred and twenty days.

Income earned from stock, commodity and future market investment is subject to IRRF at a rate of 0,005 percent on the sale price by the time of the investment liquidation. Moreover, income tax shall levy at the rate of 15 percent on the gains of the operation, deducted the 0,005 percent previously withheld. Income earned by Brazilian residents from the stock market investment fund or similar is subject to income tax at a rate of 15%.

Allowance for loan losses for income tax deduction purposes

Law No. 9,430 of December 27, 1996, as amended, provides that, as from January 1, 1997, loan losses may be deducted as expenses for the purposes of determination of taxable income as follows:

- unsecured credits in an amount of up to R$5,000 per operation when due and unpaid after a period of six months, regardless of whether any judicial action has been taken by the creditor;
- unsecured credits in an amount exceeding R$5,000 and up to R$30,000 per operation when due and unpaid after a period of one year, regardless of whether any judicial action has been taken by the creditor and provided that the creditor has initiated and continues administrative procedures for the collection of the debt;
- unsecured credits in an amount exceeding R$30,000 per operation when due and unpaid after a period of one year, provided that the creditor has initiated and continues judicial procedures for the collection of the debt;
- secured credits in any amounts when due and unpaid after a period of two years provided that the creditor has initiated and continues judicial procedures for the collection of the debt; and

- debts due to creditors of a declared bankrupt company, provided that the creditor has taken the required legal procedures to receive such credit.

Regulations affecting the Bank's relationship with its clients

The relationship between financial institutions and their clients is regulated in general by laws applicable to all commercial transactions, and by the Brazilian Civil Code in particular. However, regulations established by the CMN and the Central Bank address specific issues relating to banking activity and contracts, complementing the general regulation.

The Consumer Defense Code and the Banking Client Defense Code

Resolution 3,694, issued by CMN on March 26, 2009, expressly revoked Resolution No. 2,878, issued by CMN on July 26, 2001, as amended by Resolution No. 2,892, issued on September 27, 2001, which established procedures with respect to the settlement of financial transactions and to services provided by financial institutions to customers and the public in general. CMN Resolution 3,694 sets out new rules with the purpose of avoiding risks in the contracting operations and providing services by financial institutions and other institutions authorized to operate by the Central Bank.

According to such rules, financial institutions must reflect, in their internal control and risk management systems, the adoption and verification of procedures in contracting operations and in providing services that will ensure:

- the supply of required information necessary to the free choice and decision making by their clients and users, including making explicit the contractual clauses or practices that imply duties, responsibilities and penalties, and providing in a timely manner copies of contracts, receipts, balance sheets, proofs and other documentation related to the operations and services rendered; and

- the utilization of clear, objective and adequate (to the nature and complexity of the operation or service provided) language in contracts and documents, in order to allow the proper understanding of its contents and identification of deadlines, amounts, costs, fines, dates, locations and other conditions.

Financial institutions must also provide in their premises and in the premises where their products are offered visible written information related to the events which may cause the refusal of payment or the reception of checks, compensation receipts, documents, including charging, bills and others. Financial institutions are prohibited to refuse or to make difficult to the clients or users of their products and services, the access to conventional customer support channels, including bank tellers, ATMs, even in the case of offering alternative or electronic customer support. The option for providing services through alternative service channels is permitted, as long as the required measures to preserve the integrity, reliability, security and privacy or transactions are adopted and the legitimacy of the services rendered with regard to clients and users rights is guaranteed, being the institution required to inform their clients and users about the existing risks.

In addition to the aforementioned procedures, the Federal Supreme Court decided on June 7, 2006 that relationships between consumers and financial institutions are to be regulated by Law No. 8,078 of September 11, 1990 (or the Brazilian Consumer Defense Code), which ensures consumers certain prerogatives that facilitate their defense in courts, such as the imposition of the reverse burden of proof, and defines limits to bank interest rates deemed to be abusive. Therefore, financial institutions must fully comply with the measures imposed on them in the Brazilian Consumer Defense Code.

Anti-money laundering and banking secrecy

Law No. 9613, of March 3, 1998, or Money Laundering Law, plays a major role in relation to those engaged in banking and financial activities in Brazil. The Money Laundering Law sets forth the definition and the penalties to be incurred by persons involved in activities that comprise the "laundering" or concealing of property, rights and assets, as well as preclusion on using the financial system for these illicit acts.

The Money Laundering Law also created the Financial Activity Control Council, or COAF, which is the entity responsible for applying administrative fines, and receiving, examining and identifying the suspicion of the illegal activities provided for by the Money Laundering Law.

Financial institutions are required, among other things, to:

- identify and maintain data on all clients;
- keep a file on all transactions performed by such clients, which exceed the limits set forth by the competent authority, for a 5-year period;
- comply with all requests of COAF; and
- inform the competent authorities (without the clients' knowledge) of any transaction which involves an amount which exceeds the limit set forth by the competent authorities.

On July 24, 2009, the Central Bank issued Circular 3,461, or Circular 3,461, which consolidated the procedures to be complied with by financial institutions in order to prevent the crimes set forth in the Money Laundering Law, or Money Laundering Crimes. Circular 3,461 sets forth requirements to be complied with by financial institutions related to (a) internal policies and controls systems, (b) record of customer information, (c) record of financial services and transactions, (d) record of checks and transfer of funds, (e) record of prepaid cards, (f) record of handling of resources in excess of R$100,000, and (g) report of material information to COAF.

Internal policies and controls systems

Financial institutions shall develop and implement internal policies and control systems that: (a) indentify the responsibilities of the members of each of the hierarchical levels of the financial institutions; (b) contemplate collection and registration of information systems that shall enable the identification of transactions that may constitute a Money Laundering Crime in a timely manner; (c) define criteria and proceedings for the selection and training of the employees of financial institutions, as well for monitoring their economic and financial conditions; and (d) reflect the necessity of previous analysis of new products aiming at preventing the Money Laundering Crimes. In addition, such internal policies and control systems shall encompass measures that shall enable financial institutions to (a) confirm the costumer identification; (b) indentify the final beneficiary of the transactions; and (c) indentify politically exposed persons.

According to Article 4 of Circular 3,461, a politically exposed person is an individual who performs or has performed, in the last 5 years, relevant public positions, jobs or functions, in Brazil or in other countries, territories and foreign dependencies, as well as their representatives, relatives and other people closely related to him. Circular 3,461, provides for further details to be complied with by financial institutions with respect to the identification of a politically exposed person.

Record of customer information

The identification of individuals and legal entities must be recorded in a regularly updated customer information file, at least on an annual basis, pursuant to Circular 3,461. All files may be stored either physically or electronically. Circular 3,461 provides for different levels of record requirements by financial institutions depending on the type of relationship maintained with the costumer, whether on an occasional or on a permanent basis.

Record of financial services and transactions

Financial institutions must record all the financial services rendered to or financial transactions entered into with their customers. The information about the financial services shall be recorded in order to enable them to identify: (a) if the relevant resources are compatible with the financial and economic conditions of the customer; (b) the origin of the resources; and (c) the ultimate beneficiary of the resources. The record system of financial transactions must enable the identification of (a) transactions conducted by a person, group of persons or corporate group, separately or jointly, in excess of R$10,000 per month; and (b) transactions that may constitute, in view of their frequency, amount or structure, a way to avoid the identification, control and record mechanisms of the financial institutions.

Record of checks and transfer of funds

The information about checks and transfers of funds must be recorded in order to enable the Financial Institutions to identify: (a) transactions involving receipt of deposits by virtue of electronic transfer of amounts, wire transfer, check, bank check and other documents with equivalent nature, as well as set-off checks deposited in other financial institutions; and (b) transactions involving the issuance of checks and bank checks, wire transfer, electronic transfer of amounts and document of credit in excess of R$1,000.

Record of prepaid cards

Financial institutions shall record information about cards with a function to receive charge or recharge of amounts, in national or foreign currencies, as a result of a payment in cash, a foreign exchange transaction or any other transfer of deposit accounts. Such registration system shall enable the identification of the following events: (a) the issuance or recharge of values, in one or more prepaid cards, in amounts of or in excess of R$100,000, or any equivalent amounts in other currencies, per month; and (b) the issuance or recharge of values in prepaid cards that may evidence, conceal or disguise the true nature, origin, location, disposition, movement, or ownership of assets, rights and valuables.

Record of handling of resources in excess of R$100,000

Financial institutions must record any information about deposits in cash, withdrawals in cash, withdrawals in cash by means of prepaid cards and request of withdrawal provisioning in order to enable the identification of: (a) deposits in cash, withdrawals in cash, withdrawals in cash by means of prepaid cards and request of withdrawal provisioning in amount of or in excess of R$100,000; (b) deposits in cash, withdrawals in cash, withdrawals in cash by means of prepaid cards and request of withdrawal provisioning that may evidence conceal or disguise the true nature, origin, location, disposition, movement, or ownership of assets, rights and valuables; and (c) issuance of bank check, electronic transfer of amounts or any other instrument of transfer of funds that comprises payment in cash in amounts of or in excess of R$100,000.

Report of material information to COAF

Financial institutions must report to COAF, without the knowledge of the relevant client, the occurrence of the following events or proposals leading to such events:

- the issuance or recharge of values, in one or more prepaid cards, in amounts of or in excess of R$100,000, or any equivalent amounts in other currencies, per month; and

- deposits in cash, withdrawal in cash, withdrawal in cash by means of prepaid cards and request of withdrawal provisioning in amount of or in excess of R$100,000.

Additionally, the financial institutions shall report to COAF the occurrence of the following events or proposals leading to such events:

- transactions or services (i) in amounts of or in excess of R$10,000; and (ii) that may evidence the existence of the Money Laundering Crimes in view of the parties thereto, their structure and lack of legal and economic support;

- transactions and services that may constitute, in view of their frequency, amount or structure, a way to avoid the identification, control and record mechanisms of the financial institutions;

- transactions of and services rendered to any person that has perpetrated or intended to perpetrate terrorist acts, or that has participated on or facilitated the perpetration of such acts, as well as the existence of resources owned by such person or, otherwise, directly or indirectly controlled by him; and

- acts that may constitute terrorism financing.

The records referred to above must be kept for at least five years or ten years depending on the information.

Failure to comply with any of the obligations indicated above shall subject the financial institution and its officers and directors to penalties that vary from the application of fines (between 1% and 100% of the transaction amount or 200% over any profit generated by the same), to the declaration of its officers and directors as ineligible to exercise any position at a financial institution and/or the cancellation of the financial institution's operating license. The Money Laundering Law establishes that employees are subject to criminal penalties if they facilitate or participate in money laundering activities. According to article 1, paragraph 2, I, of the Money Laundering Law, the same penalty (imprisonment for 3 to 10 years, plus fine) applies to a person who uses, in the economic or financial activity, assets, right or valuables, knowing that they originate from any of the Money Laundering Crimes listed therein.

Brazilian financial institutions are also subject to strict bank confidentiality regulations. The only circumstances in which information about clients, services or operations of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) the disclosure of information with the express consent of the interested parties; (ii) the exchange of information between financial institutions for record purposes; (iii) the supply to credit reference agencies of information based on data from the records of subscribers of checks drawn on accounts without sufficient funds and defaulting debtors; and (iv) as to the occurrence or suspicion that criminal or administrative illegal acts have been performed, financial institutions and the credit card companies may provide the competent authorities with information relating to such criminal acts. Supplementary Law No. 105 enacted on January 10, 2001 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities, provided that a specific treaty in that respect has previously been executed.

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. Certain exceptions apply to this obligation, however, such as the sharing of information on credit history, criminal activity and violation of bank regulations or disclosure of information authorized by interested parties, as discussed above. Bank secrecy may also be breached when necessary for the investigation of any illegal act.

Government and auditors from the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances.

Bank failure

Intervention, administrative liquidation and bankruptcy

Intervention

The Central Bank may intervene in the operations of a financial institution not controlled by the Brazilian government if there is a material risk for creditors, or if the financial institution frequently violates applicable regulations. The Central Bank may also intervene if liquidation can be avoided or it may perform administrative liquidation or, in some circumstances, require the bankruptcy of any financial institution except those controlled by the Brazilian government. Intervention may also be ordered upon the request of a financial institution's management.

As from the date on which it is ordered, with respect to the applicable financial institution the intervention will automatically: (a) suspend the enforceability of the payable obligations; (b) prevent early termination or maturity of any previously contracted obligations; and (c) freeze deposits existing on the date on which the intervention is decreed.

The intervention period shall not exceed six months, which, by decision of the Central Bank, may be extended only once for up to six additional months. The intervention proceeding will cease (a) if interested parties undertake to continue the economic activities of the financial institution, by presenting the necessary guarantees, as determined by the Central Bank; (b) when the situation of the entity is regularized as determined by the Central Bank; or (c) when extra-judicial liquidation or bankruptcy of the entity is ordered. In this case, the Central Bank may extra-judicially liquidate the financial institution or authorize the intervener to file for voluntary bankruptcy currently governed by Bankruptcy Law, among other situations, if the assets of the intervened institution are insufficient to satisfy at least 50% of the amount of its outstanding unsecured debts.

Administrative liquidation

An administrative liquidation of any financial institution (with the exception of public financial institutions controlled by the Brazilian government) may be carried out by the Central Bank if it can be established that:

- debts of the financial institution are not being paid when due;
- the financial institution is deemed insolvent;
- the financial institution has incurred losses that could abnormally increase the exposure of the unsecured creditors;
- management of the relevant financial institution has materially violated Brazilian banking laws or regulations; or
- upon cancellation of its operating authorization, a financial institution's ordinary liquidation proceedings are not carried out within 90 days or are carried out with delay representing a risk to its creditors, at the Central Bank's discretion. Liquidation proceedings may otherwise be requested, on reasonable grounds, by the financial institution's officers or by the intervener appointed by the Central Bank in the intervention proceeding.

Administrative liquidation proceedings may cease:

- at the discretion of the Central Bank if the parties concerned assume the administration of the financial institution after having provided the necessary guarantees;
- when the liquidator's final accounts are rendered and approved, and subsequently filed with the competent Public Registry;
- when converted to an ordinary liquidation; or
- when the financial institution is declared bankrupt.

Temporary Special Administration Regime

In addition to the aforesaid procedures, the Central Bank may also establish the Temporary Special Administration Regime (*Regime de Administração Especial Temporaria*) or RAET, which is a less restrictive form of Central Bank intervention in private and non-federal public financial institutions and which allows institutions to continue to operate normally.

The RAET may be imposed by the Central Bank in the following circumstances:

- continuous practice of transactions contrary to the economic and financial policies established by federal law;
- the institution fails to comply with the compulsory reserves rules;
- the institution has operations or circumstances which call for an intervention;
- reckless or fraudulent management;
- the institution faces a shortage of assets; and

- the occurrence of any of the events described above that may result in a declaration of intervention.

The main object of the RAET is to assist with the recovery of the financial conditions of the institution under special administration and thereby avoid intervention, liquidation and/or bankruptcy. Therefore, the RAET does not affect the day-to-day business operations, liabilities or rights of the financial institution, which continues to operate in its ordinary course.

There is no minimum term for a RAET, which ceases upon the occurrence of any of the following events: (i) acquisition by the Brazilian federal government of control of the financial institution, (ii) corporate restructuring, merger, spin-off, amalgamation or transfer of the controlling interest of the financial institution, (iii) decision by the Central Bank or (iv) declaration of extra-judicial liquidation of the financial institution.

On October 19, 2009, the Central Bank submitted for consultation a proposal to revise the existing legal framework applicable to the actions that may be taken by the Central Bank to protect the stability of the financial system and to prevent and regulate bank failure. However, the Bank cannot anticipate if and when such a new legal framework may become enacted into law.

Repayment of creditors in liquidation

In case of the bankruptcy or liquidation of a financial institution, certain credits, such as credits for salaries up to 150 minimum wages (*salaries mínimos*) per labor creditor, among others, will have preference over any other credits.

The Credit Insurance Fund (*Fundo Garantidor de Crédito*) is a deposit insurance system which guarantees a maximum amount of R$60,000 of deposits and credit instruments held by an individual against a financial institution (or against financial institutions of the same financial group). The Credit Insurance Fund is funded principally by mandatory contributions from all Brazilian financial institutions that work with customer deposits. The payment of unsecured credit and customer deposits not payable under the Credit Insurance Fund is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

Brazilian payment system

In December 1999 the Brazilian government released new rules for the settlement of payments in Brazil, based on the guidelines adopted by the Bank of International Settlements, or BIS. After a period of tests and gradual implementation, the Brazilian Payment and Settlement System began operating in April 2002. The Central Bank and CVM have the power to regulate and supervise this system. Pursuant to these rules, new clearing houses may be created and all clearing houses are required to adopt procedures designed to reduce the possibility of systemic crises and to reduce the risks currently borne by the Central Bank. The most important principles of the Brazilian Payment System are:

- the existence of two main payment and settlement systems: real time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;

- the clearing houses, with some exceptions, will be liable for the payment orders they accept; and

- bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearinghouses have ordinary credits against any participant under bankruptcy laws.

The systems comprising the Brazilian clearing systems are responsible for creating safety mechanisms and rules for controlling risks and contingencies, for loss sharing among market participants and for direct execution of participants' positions, performance of their agreements and foreclosure of collateral held under custody. In addition, clearing houses and settlement services providers that are considered important to the system are obligated to set aside a portion of their assets as an additional guarantee for the settlement of transactions.

Under these rules, responsibility for the settlement of a transaction is assigned to the clearinghouses and settlement service providers responsible for it. Once a financial transaction has been submitted for clearing and settlement, it generally becomes the obligation of the relevant clearing house and/or settlement services provider to clear and settle it, and it is no longer subject to the risk of bankruptcy or insolvency on the part of the market participant that submitted it for clearing and settlement.

Financial institutions and other institutions chartered by the Central Bank are also required under these rules to create mechanisms to identify and avoid liquidity risks, in accordance with certain procedures established by the Central Bank. Under these procedures, institutions are required to:

- maintain and document criteria for measuring liquidity risks and mechanisms for managing them;
- analyze economic and financial data to evaluate the impact of different market scenarios on the institution's liquidity and cash flow;
- prepare reports to enable the institution to monitor liquidity risks;
- identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwinds;
- adopt system controls and testing them periodically;
- promptly provide to the institution's management available information and analysis regarding any liquidity risk identified, including any conclusions or remedies adopted; and
- develop contingency plans for handling liquidity crisis situations.

Restriction on foreign investment and the Brazilian constitution

Foreign banks

The Brazilian Constitution prohibits foreign financial institutions from establishing new branches in Brazil, except when duly authorized by the Presidential decree. A foreign financial institution duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any Brazilian financial institution.

Foreign investment in Brazilian financial institutions

The Brazilian Constitution permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the Brazilian government.

Foreign investors without specific authorization may acquire publicly traded non-voting shares of Brazilian financial institutions negotiated on a stock exchange, or depositary receipts offered abroad representing non-voting shares without specific authorization.

Amendment to the Brazilian corporate law

Law No. 11,638/07, which was enacted on December 28, 2007, altered and revoked existing provisions and added new provisions to the Brazilian Corporate Law, particularly with respect to Chapter XV concerning Fiscal year-end financial statements. The primary purpose of Law No. 11,638/07 was to update Brazilian Corporate Law to enable the convergence of Brazilian GAAP with IFRS.

Additionally, due to the enactment of such new Law, new accounting pronouncements were issued, in 2008 and 2009, by CPC (Brazilian Committee of Accounting Pronouncements), approved by CVM (Brazilian Securities and Exchange Commission) and CFC (Brazilian Federal Accountancy Council).

On December 3, 2008, the President of Brazil sanctioned MP 449/08, converted into Law No. 11.941/09, which regulates the tax effects of Law No. 11,638/07 and introduces *Regime Tributário de Transição* that attempts to clarify and neutralize the tax implications of adopting international accounting standards in Brazil.

Some of the principal changes resulting from Law No. 11,638/07, as amended by MP 449/08, which was converted into Law No. 11,941, dated May 27, 2009, include:

- the statement of changes in financial position was replaced by the statement of cash flows;
- the inclusion of the subgroup "intangible" assets in permanent assets for recording the rights related to the intangible assets used for maintaining the business or which are exercised for such purpose, including acquired goodwill related to merged companies. Fixed assets will include assets resulting from any operation where there is a transfer of benefits, control and risk, regardless of whether ownership is transferred;
- the creation of a new subgroup in shareholders' equity called "Equity Evaluation Adjustment," which will register increases and decreases of assets and liabilities, as a result of their evaluation at fair value;
- the introduction of the concept of Adjustments to Present Value for long-term lending and fundraising operations and for short-term relevant operations;
- obligatory periodic analysis to verify the recovery level of amounts recorded in fixed assets and intangible assets; and
- changing the treatment of tax incentives, which will be recorded directly in the income statement and may subsequently be allocated to profit reserves—tax incentive reserves and may be excluded from the calculation base of minimum mandatory dividends.

DESCRIPTION OF THE NOTES

The following summary describes certain provisions of the notes and the indenture. This summary is not complete and is subject to, and qualified in its entirety by reference to, the provisions of the indenture and the notes. Copies of the indenture and specimen notes may be obtained by prospective investors upon request to the trustee or the paying agent in Luxembourg at the addresses set forth under "General Information."

For purposes of this "Description of the Notes," the term the "Issuer" means Banco Industrial e Comercial S.A. and its successors under the Indenture.

Tier II Capital Treatment

The notes are being issued as subordinated notes eligible to be computed as Tier II capital, subject to the approval of the Central Bank, pursuant to the terms of CMN Resolution No. 3,444, as amended, modified, supplemented or superseded from time to time (or CMN Resolution No. 3,444). The notes are treated under Brazilian law as debt instruments. Brazilian banking law provides that banks are permitted to issue subordinated debt, including the notes, and, if approved by the Central Bank, to include the outstanding aggregate principal amount of such subordinated debt as a component of their reference capital. Reference capital is comprised of different components, such as common equity, capital reserves and subordinated debt, such as the notes. Brazilian banking law provides that the portion of the notes that is eligible to be included in the Issuer's Tier II capital is (1) limited to 50% of the Issuer's Tier I capital and (2) will be reduced by 20% in each of the last five years before the maturity date of the notes.

General

The Issuer will issue the notes under an indenture dated as of April 27, 2010 (the indenture), among the Issuer, The Bank of New York Mellon, as trustee, New York paying agent, registrar and transfer agent and The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent.

The notes will have the following basic terms:

- The notes issued in this offering will be in an initial aggregate principal amount of U.S.$300.0 million . The principal amount of the notes will be payable in full at par in a single payment on April 27, 2020 unless the payment is deferred as described in "Deferral of Interest and Principal" below.

- The notes will bear interest at a fixed rate of 8.50% per annum (the "note rate") from April 27, 2010, except that interest on unpaid principal after the maturity date and interest on any overdue interest will accrue (including, for the avoidance of doubt, during the 15-day grace period for payment of interest as defined in "—Events of Default") at the note rate plus 1.0% per annum (the arrears rate). Interest on the notes will be paid semi-annually in arrears on April 27 and October 27 of each year, commencing on October 27, 2010, to the noteholders registered as such as of the close of business on the day preceding the interest payment date, except that interest that accrued at the arrears rate and that is paid more than 15 days after the applicable interest payment date will be paid to the noteholders registered as such on a special record date fixed by the Issuer. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.

- The notes will initially be issued in the form of one or more fully registered Restricted Global Notes and Regulation S Global Notes. The notes will be issued only in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. For more information about the form of the notes and their clearance and settlement, see "Form of the Notes."

- The Issuer and any legal entity related to the Issuer within the same financial conglomerate (as defined in Central Bank regulations) or economic/financial group (as defined in Brazilian corporations law and regulations) have not and will not enter into any agreement that provides for any insurance with respect to the notes affecting the subordination of the notes in accordance with CMN Resolution No. 3,444.

Deferral of Interest and Principal

(1) If, at the time a payment of interest, principal or any other amount relating to the notes is due, the Issuer is not in compliance with the operational limits required by current or future regulations generally applicable to Brazilian banks (the risk-based capital requirements) or (2) if the payment of interest, principal or any other amount relating to the notes would cause the Issuer to fail to be in compliance with any of the risk-based capital requirements; on any interest payment date, any redemption date or the maturity date, as applicable, the payment of interest, principal or any other amount shall not be due on that date and the Issuer shall defer that payment of interest or principal or any other amount relating thereto in full until the date no later than 14 days after the date it is no longer in compliance with the risk-based capital requirements and the payment of that interest or principal amount or other amount, or any portion thereof, would no longer cause the Issuer to fail to comply with the risk-based capital requirements. The deferral of any payment in accordance with this provision will not constitute an event of default under the notes.

Any amount payable in respect of the notes not paid on an interest payment date, redemption date or the maturity date, as the case may be, as a result of such deferral or otherwise shall, so long as the same remains outstanding, constitute an amount in arrears (an amount in arrears). The Issuer shall, as soon as practicable upon becoming aware that the payment of interest or principal (or any other amount payable in respect thereof) will cause it to fail to satisfy the risk-based capital requirements as provided herein, and in any event within three business days thereof, deliver to the trustee a certificate, stating that any such payment would cause it to fail to be in compliance with any of the risk-based capital requirements.

These deferred interest amounts will be calculated on each interest payment date only for the purpose of calculating the interest accruing thereafter on amounts in arrears. Such amounts in arrears will bear interest at the note rate plus 1.0% per annum. The Issuer will use reasonable efforts to give not more than 14 and not less than 2 business days notice to the noteholders of any interest or principal payment that will be deferred and of any date on which any amount in arrears or any additional interest on such amount will be payable.

If amounts in arrears are at any time only partially payable:

- all amounts in arrears will be payable before additional interest on those amounts;
- all amounts in arrears will be payable in the order of the interest periods for which they accrued, and the payment of additional interest on those amounts will follow the same order; and
- all amounts in arrears or additional interest on those amounts, as the case may be, for any interest period will be paid *pro rata*.

"Business day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in New York City, London or São Paulo.

Ranking

The notes will be unsecured obligations, and, in the event of the Issuer's bankruptcy, liquidation or dissolution under Brazilian law (each, a bankruptcy event), will be subordinated obligations ranking:

- junior in right of payment to the payment of all the Issuer's senior indebtedness; and
- *pari passu* among themselves.

"Senior Indebtedness" means all Liabilities of the Issuer, but excluding (i) any Liability of the Issuer approved or to be approved by the Central Bank to be classified in the Tier I Capital or Tier II Capital of the Issuer pursuant to Resolution No. 3,444, and (ii) all classes of the Issuer's capital stock.

"Liability," with respect to any Person, means all liabilities of such Person, including, but not limited to, any claims of such Person's creditors and any amounts payable (whether as a direct obligation or indirectly through a guarantee of a Liability by such Person) pursuant to an agreement or instrument involving or evidencing money borrowed or received, the advance of credit, a conditional sale or a transfer with recourse or with an obligation to repurchase or pursuant to a lease with substantially the same economic effect as any such agreement or instrument and which, under GAAP, would constitute a capitalized lease obligation.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

A consolidation of the Issuer with, or the merger of the Issuer into, another person, or the liquidation or dissolution of the Issuer after the conveyance or transfer of all or substantially all of its properties, assets and liabilities (including the notes issued under the indenture) to another person, as described under "—Certain Covenants—Consolidation, Merger, Conveyance and Transfer" will not be deemed a bankruptcy event for the purposes of the subordination provisions if the person formed by such consolidation or merger or that acquires those properties, assets and liabilities (including the notes issued under the indenture) complies with the conditions described under "—Certain Covenants—Consolidation, Merger, Conveyance and Transfer."

In the event of a bankruptcy event, all principal, premium, if any, and interest due or to become due on all senior indebtedness will be paid in full before the holders of the notes are entitled to receive any payment. The holders of the notes will be entitled to receive payments or distributions under the notes *pari passu* among themselves.

If, in the event of any bankruptcy event, the trustee or any noteholder receives any payment or distribution of any kind or character, whether in cash, property or securities, before the senior indebtedness are paid in full, that payment or distribution must be paid over or delivered to the trustee in bankruptcy or other person making payment or distribution of assets of the Issuer's company for application to the payment of all the senior indebtedness until the senior indebtedness are paid in full, after giving effect to any concurrent payment or distribution to the holders of the senior indebtedness.

The terms and conditions of the notes do not limit the amount of senior indebtedness that the Issuer may hereafter incur.

Further Issuances

The Issuer is entitled, without the consent of the noteholders, to issue additional notes under the indenture on the same terms and conditions as the notes being offered hereby in an unlimited aggregate principal amount. The notes and the additional notes, if any, will be treated as a single class for all purposes of the indenture, including waivers and amendments. Unless the context otherwise requires, for all purposes of the indenture and this "Description of Notes," references to the notes include any additional notes actually issued.

Noteholders should be aware that additional notes that are treated as the same series for non-U.S. federal income tax purposes as the notes initially issued in this offering may be treated as separate issues for U.S. federal income tax purposes. Such additional notes, depending on the facts, could be considered to be issued with original issue discount for U.S. federal income tax purposes (OID). If purchasers of notes are not able to differentiate between notes sold as a part of the issuance of additional notes and previously issued notes, purchasers of the original series of notes after the issue date of such additional notes may be required to accrue OID for U.S federal income tax purposes with respect to their notes. This may affect the market value of outstanding notes at the time of an additional issuance.

Conflicts with CMN Resolution No. 3,444

Any provision of this offering memorandum, the indenture, the notes or the purchase agreement among the Issuer and the initial purchasers that conflicts with any of the provisions of article 9 of CMN Resolution No. 3,444 will be null and void.

Any provision of this offering memorandum, the indenture, the notes or the purchase agreement between the Issuer and the Initial Purchasers that conflicts with the Terms of Subordination (*núcleo de subordinação*) which form a part of the indenture governing the notes, will be null and void.

Listing

The Issuer has made an application to list the notes on the Official List of the Luxembourg Stock Exchange and it has made an application for admission to trading on the Euro MTF market of the Luxembourg Stock Exchange.

Payments of Principal and Interest

Payment of the principal of the notes, together with accrued and unpaid interest thereon, will be made on the payment date therefor to the person in whose name the note is registered as of the close of business, New York time, on the day before that payment date by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, or, if appropriate wire transfer instructions are not received by the trustee from such payee, at least five business days prior to such payment date, then by U.S. dollar check drawn on a bank in New York City.

In the event that any payment date is not a business day in the city in which the relevant paying agent is located, then payment of the interest, principal or redemption amount payable on such date will be made on the next succeeding day that is a business day (and without any interest or other payment in respect of any such delay).

Additional Amounts

The Issuer will make all payments of principal and interest on the notes without withholding or deducting any present or future taxes, penalties, fines, duties, assessments or other governmental charges of any nature (which we refer to collectively as “taxes”) imposed by Brazil or, in the event that the Issuer appoints additional paying agents, by the jurisdictions of such additional paying agents, or, in each case, any political subdivision or governmental authority of those jurisdictions having power to tax (each, a “taxing jurisdiction”). If the Issuer is required by law to withhold or deduct any such taxes, except as provided below, it will pay the noteholders any additional amounts necessary to ensure that they receive the same amount as they would have received without such withholding or deduction (additional amounts). The Issuer will not, however, pay any additional amounts in connection with any taxes imposed due to any of the following (excluded additional amounts):

- the noteholder or beneficial owner has some connection with the taxing jurisdiction other than merely holding the notes or receiving principal or interest payments on the notes (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the taxing jurisdiction);

- any tax imposed on, or measured by, net income of the noteholder;

- the noteholder or beneficial owner fails to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the taxing jurisdiction, if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the taxes, (2) the noteholder or beneficial owner is able to comply with those requirements without undue hardship and (3) the Issuer has given all noteholders at least 30 days’ prior notice that they will be required to comply with such requirements;

- the noteholder fails to surrender (where surrender is required) its note within 30 days after the Issuer has made available to the noteholder a payment of principal or interest; provided that the Issuer will pay additional amounts to which a noteholder would have been entitled had the note owned by such noteholder been surrendered on any day (including the last day) within such 30-day period;

- any estate, inheritance, gift, value added, use or sales taxes or any similar taxes, assessments or other governmental charges;

- where any such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to this Directive; or

- where the noteholder or beneficial owner could avoid withholding or deduction by requesting that a payment on the notes be made by, or presenting the relevant notes for payment to, another paying agent located in a member state of the European Union.

The Issuer will make any required withholding or deduction and remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law. The Issuer will furnish to the trustee, within 30 days after the date of payment of any such taxes, certified copies of tax receipts or other documentation reasonably satisfactory to the trustee evidencing that payment. Upon request, copies of those receipts or other documentation, as the case may be, will be made available to the noteholders.

The Issuer will pay any stamp, administrative, court, documentary, excise or property taxes arising in a taxing jurisdiction in connection with the issuance of the notes.

The obligations to make payments of additional amounts with respect to principal, interest or other amounts payable on the notes will survive any termination, defeasance or discharge of the notes and the indenture.

If the Issuer is required at any time to pay additional amounts to noteholders pursuant to the terms of the notes and the indenture, the Issuer will use reasonable effort to obtain an exemption from the payment of (or otherwise avoid the obligation to pay) the taxes which have resulted in the requirement that the Issuer pay additional amounts.

The Issuer has also agreed, if the conclusions of the ECOFIN Council meeting of November 26-27, 2000 are implemented, to maintain a paying agent in a member state of the European Union that will not be obligated to withhold or deduct tax under the applicable directive.

Certain Covenants

- For so long as any of the notes are outstanding and any amount remains unpaid under the indenture and the notes, the Issuer will comply with the terms of the covenants described below, among others:

Performance of Obligations Under the Notes and the Indenture

The Issuer will pay all amounts owed by it under the terms of the notes and the indenture. If the Issuer defers any interest or principal payments as described under "—Deferral of Interest and Principal," it will use commercially reasonable effort to re-enter into compliance with the risk-based capital requirements within 180 days.

Maintenance of Approvals

The Issuer will obtain and maintain in full force and effect all governmental approvals, consents or licenses of any governmental authority under the laws of Brazil or any other jurisdiction having jurisdiction over it, its business or the transactions contemplated herein, as well as of any third party under any agreement to which the Issuer may be subject, in connection with its execution, delivery and performance of the transaction documents or validity or enforceability thereof.

Maintenance of Books and Records

The Issuer will maintain books, accounts and records as may be necessary to comply with all applicable laws and to enable its financial statements to be prepared, and it will allow the trustee access to those books, accounts and records at reasonable times.

Maintenance of Office or Agency

The Issuer will maintain an office or agency in the Borough of Manhattan, The City of New York where notes may be presented for payment or for exchange, transfer or redemption and where notices to and demands upon the Issuer in respect of the indenture and the notes may be served. Initially this office will be the corporate trust office of the trustee, located care of The Bank of New York Mellon at 101 Barclay Street, 4E, New York, New York 10286, and the Issuer will agree not to change the designation of such office without prior notice to the trustee and designation of a replacement office.

Use of Proceeds

The Issuer intends to use the net proceeds of the issuance of the notes to increase its portfolio growth and for other general corporate purposes. See "Use of Proceeds."

Notice of Certain Events

The Issuer will give notice to the trustee, promptly and in any event within ten days after it becomes aware of the occurrence of any event of default under the indenture or event that, with the giving of notice, lapse of time or other conditions, would become an event of default.

If the Issuer has deferred interest or principal payments as described under "—Deferral of Interest and Principal," it will give notice to the trustee promptly, and in any event within ten business days, after the Issuer becomes aware that it is no longer in violation of the risk-based capital requirements or can make interest or principal payments without violating those requirements.

If the trustee has actual knowledge of an event of default or an event that, with the giving of notice, lapse of time or other conditions, would become an event of default, the trustee will give notice of that event to the noteholders within 30 days after it is actually known to a responsible officer of the trustee. The trustee may withhold notice to the noteholders of such an event (except the non-payment of principal or interest) if its board of directors or a committee of its trust officers determines in good faith that withholding notice is in the interests of the noteholders.

Within 120 days after the end of each fiscal quarter of each fiscal year (other than the final fiscal quarter of any fiscal year) and 120 days after the end of each fiscal year of the Issuer, the Issuer shall provide to the trustee copies of unaudited (with respect to a fiscal quarter) or audited (with respect to a fiscal semester or a fiscal year) consolidated financial statements, in each case accompanied by a limited review report or an opinion, as applicable, from an independent auditor; provided that any such financial statements will be deemed to have been delivered on the date on which the Issuer has posted such financial statements on its website at *www.bicbanco.com.br* (it being understood that the Issuer shall promptly provide such other information as the trustee may reasonably request and that the Issuer may provide without violating any applicable law).

The Issuer will provide, together with each of the financial statements described above, a compliance certificate stating that it has fulfilled its agreements under the indenture and that no event of default or event that, with the giving of notice, lapse of time or other conditions, would become an event of default has occurred during that period or, if one or more have actually occurred, specifying those events and what actions have been taken and will be taken with respect to each such event.

Further Actions

The Issuer will, at its own cost and expense, take any action at any time required, as necessary or as requested by the trustee, in accordance with applicable laws and regulations, to be taken in order:

- to enable it to lawfully to enter into, exercise its rights and perform its obligations under the notes and the indenture;
- to ensure that its obligations under the notes and the indenture are legally binding and enforceable;

- to make the notes and the indenture admissible in evidence in the courts of the State of New York or Brazil;

- to enable the trustee to exercise and enforce its rights under and carry out the terms, provisions and purposes of the indenture and the notes;

- to take any and all actions necessary to preserve the enforceability of, and maintain the trustee's rights under, the indenture and the notes; and

- to assist the trustee, to the extent reasonably practicable, in the trustee's performance of its obligations under the notes and the indenture.

Appointment to Fill a Vacancy in the Office of the Trustee

Whenever necessary to avoid or fill a vacancy in the office of the trustee, the Issuer will appoint a successor trustee so that there will at all times be a trustee with respect to the notes.

Maintenance of Existence

Subject to the covenant described in "—Consolidation, Merger, Conveyance or Transfer," the Issuer will do all things necessary to preserve and keep in full force and effect its corporate existence and rights; provided, however, that the Issuer will not be required to preserve any such right if its board of directors determines that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the noteholders.

Consolidation, Merger, Conveyance or Transfer

The Issuer will not consolidate with or merge into any other person or convey or transfer either of all or substantially all of its properties and assets or all or substantially all of its properties, assets and liabilities (including the notes issued under the indenture) to any other person unless either (i) it receives the consent of holders holding no less than 66 2/3% in aggregate principal amount of the notes outstanding, or (ii) the following conditions are satisfied:

- the person formed by such consolidation or into which the Issuer is merged, or the person which acquires all or substantially all of the Issuer's properties and assets or all or substantially all of the Issuer's properties, assets and liabilities (including the notes issued under the indenture), expressly assumes the due and punctual payment of the principal of and interest on all the notes and the performance or observance of every covenant of the indenture and the notes on the part of the Issuer to be performed or observed;

- immediately after giving effect to such transaction, no event of default or event that, with the giving of notice, lapse of time or other conditions, would become an event of default, has occurred and is continuing and no covenant or agreement in the indenture and the notes has been materially breached; and

- the person formed by such consolidation or into which the Issuer is merged, or the person which acquires either all or substantially all of its properties and assets or all or substantially all of the Issuer's properties, assets and liabilities (including the notes issued under the indenture) delivers to the trustee an officers' certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance or transfer and, if a supplemental indenture is required in connection with the transaction, the supplemental indenture complies with the indenture and that all conditions precedent in the indenture relating to the transaction have been complied with.

In addition, the conditions set out above only apply in the event that the Issuer wishes to merge or consolidate with another entity or sell its assets substantially as an entirety to another entity. The Issuer will not need to satisfy these conditions if it enters into other types of transactions, including any transaction in which it acquires the stock or assets of another entity, any transaction that involves a change in the Issuer's control but in which it does not merge or consolidate, and any transaction in which the Issuer sells less than substantially all of its assets.

Redemption

No Redemption by the Issuer prior to the Maturity Date unless as a result of a Tax Event

The notes will not be subject to redemption by the Issuer prior to the maturity date, except as described below under "— Tax Redemption." Any tax redemption will require compliance by the Issuer with all necessary regulations of the Central Bank to legally effect such redemption, including obtaining prior authorization from the Central Bank.

Tax Redemption

The notes may be redeemed if a Tax Event has occurred and the Issuer has complied with all necessary regulations of the Central Bank to legally effect such redemption, including obtaining an authorization from the Central Bank required for the redemption of the Notes prior to their maturity date, such authorization to be granted only upon fulfillment of the requirements of Resolution No. 3,444, at the Central Bank's sole discretion.

"Tax Event" means a determination by the Issuer that immediately prior to the giving of a notice by the Issuer that there has occurred any change in or amendment to the (1) Treaty to Avoid Double Taxation entered into between Brazil and Japan, approved by Legislative Decree No. 43 dated November 23, 1967 and enacted in Brazil by Decree No. 61,899 dated December 14, 1967, as amended by Decree No. 81,194 dated January 9, 1978, which has the effect of increasing the rate of tax applicable under such treaty to a rate exceeding 12.5%; or (2) any change in or amendment to any treaty with, or the laws (or any rules or regulations thereunder) of, Brazil or any political subdivision or authority thereof or therein having power to tax or any amendment to or change in an official interpretation, administration or application of such laws, treaties, rules or regulations (including a holding by a court of competent jurisdiction), which, in any case, shall become effective after the date of issuance of the notes, as a result of which the Issuer has or will become obligated to pay Additional Amounts with respect to payments of principal of, and interest on, the notes (excluding interest and penalties) in excess of the additional amounts that the Issuer would be obligated to pay if taxes imposed by Brazil (excluding interest and penalties) were payable with respect to such payments at a rate of 15% and such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

In the event that the Issuer or any successor to the Issuer elects to so redeem the notes, it will deliver to the trustee: (1) a certificate, signed in the name of the Issuer or any successor to the Issuer in accordance with its bylaws, stating that the Issuer or any successor to the Issuer is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer or any successor to the Issuer to so redeem have occurred or been satisfied; and (2) an opinion of counsel, who is reasonably acceptable to the trustee, to the effect that (i) a Tax Event has occurred and (ii) that all governmental requirements necessary for the Issuer or any successor to the Issuer to effect the redemption, including the obtaining of Central Bank authorization, have been complied with.

No Optional Redemption by Noteholders

Noteholders shall have no right to request that the Issuer redeem all or any portion of the notes prior to the maturity date.

Purchases of Notes by the Issuer

The Issuer or any legal entity related to the Issuer within the same financial conglomerate or economic/financial group, subject to the prior authorization by the Central Bank, may purchase any notes in the open market or otherwise at any price, provided that the Issuer is in compliance with the risk-based capital requirements and that such purchase would not cause the Issuer to fail to be in compliance with such requirements. In determining whether noteholders holding any requisite principal amount of notes have given any request, demand, authorization, direction, notice, consent or waiver under the indenture, notes owned by the Issuer or any affiliate, and known by a responsible officer of the trustee to be so owned, will be deemed not outstanding for purposes thereof. The Issuer may at any time deliver to the trustee for cancellation any notes previously authenticated and delivered pursuant to the indenture which the Issuer may have acquired in any manner whatsoever.

Events of Default

The following events will each be an event of default under the terms of the notes and the indenture:

- the Issuer fails to make any principal payment on any of the notes, whether on the maturity date, upon redemption or otherwise, other than due to a deferral of principal described under "—Deferral of Interest and Principal;"

- the Issuer fails to make any interest payment or any payment of additional amounts in accordance with the terms of the notes and the indenture, other than due to a deferral of interest described under "Deferral of Interest and Principal," and this non-payment continues for 15 days (the grace period);

- a court or agency or supervisory authority in Brazil (1) institutes a proceeding or enters a decree or order for relief under any bankruptcy, insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar law, or for the Issuer's winding up or the liquidation of its affairs, or adjudging the Issuer bankrupt, or insolvent, (2) enters a decree or order approving as properly filed a petition seeking the Issuer's reorganization, arrangement, adjustment or composition under any applicable law except a reorganization permitted under the indenture, (3) enters a decree or order appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Issuer or all or substantially all its assets, or (4) any event that under the laws of Brazil occurs that has an analogous effect to any of the foregoing events and those proceedings, decree or order have not been vacated or have remained in force undischarged or unstayed for 60 days; or

- the Issuer commences a voluntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or any other case or proceeding to be adjudicated bankrupt or insolvent, or the Issuer consents by answer or otherwise to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization intervention, liquidation or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Issuer or its dissolution or any event that under the laws of Brazil has an analogous effect to any of the foregoing events.

If an event of default described in the third and fourth bullet points above occurs and is continuing, the principal of and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other act on the part of the trustee or any noteholders. However, the Issuer will only be required to make the payments described in this paragraph after it has been declared bankrupt, put into liquidation or otherwise dissolved, and those payments will be subject to the subordination provisions of the indenture. There is no right of acceleration in the case of a default in the payment of principal of or interest on the notes or the failure by the Issuer to perform any other obligation under the indenture.

Notwithstanding the foregoing or any other provision in the notes and the indenture, in the event of the Issuer's failure to pay any principal or interest (or additional amounts, if any) on the notes when it becomes due and payable, the holder of the notes will have the right to institute a suit, including a summary proceeding for the enforcement of any such payment.

The holders of a majority in aggregate principal amount of the outstanding notes may rescind any acceleration if an amount has been paid to or deposited with the trustee sufficient to pay the amounts set forth in the applicable provisions of the indenture and all events of default, other than the failure to pay principal due solely because of the acceleration, have been cured or waived.

The holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee, subject to the limitations specified in the indenture. Subject to the provisions of the indenture relating to the trustee's duties, the trustee will be under no obligation to exercise any of its rights and powers under the indenture unless it has been offered an indemnity to its reasonable satisfaction against the costs, expenses and liabilities it may reasonably incur.

No noteholder will have any right to institute any proceeding with respect to the indenture or the notes or for any remedy thereunder unless the noteholder has previously given written notice to the trustee of a continuing event of default under the notes or the continuing breach of a covenant contained in the indenture, the noteholders of not less than 33 1/3% in aggregate principal amount of the outstanding notes have made a written request to the trustee to institute proceedings in respect of the event of default or breach in its own name as trustee, the noteholders have offered to the trustee indemnity satisfactory to it, the trustee for 60 days thereafter has failed to institute any such proceeding and no direction inconsistent with that request has been given to the trustee during that 60-day period by the holders of a majority in aggregate principal amount of the outstanding notes. However, the right of any noteholder to institute a suit for the enforcement of the payment of principal or interest on the due date therefor may not be impaired without its consent.

The holders of a majority in aggregate principal amount of the outstanding notes may waive any past default under the indenture except an uncured default in the payment of principal of or interest on the notes or an uncured default relating to a covenant or provision of the indenture that cannot be modified or amended without the consent of each affected noteholder.

Modification of the Indenture

Changes Not Requiring Approval of the Noteholders

The Issuer and the trustee may one time, without the prior consent of noteholders, amend the terms and conditions of the notes solely to comply with the requirements of the Central Bank to qualify the notes as Tier II capital pursuant to CMN Resolution No. 3,444. The Issuer will not be permitted to make any amendments without noteholders' consent if such amendment would affect in any way the interest rate of the notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of the notes, the ranking of the notes (as described in "—Ranking") or the original maturity date of the notes.

The trustee will require an opinion of counsel from Brazilian counsel to the Issuer describing the amendments to the terms and conditions of the notes required by the Central Bank in order to qualify the notes as Tier II capital. Upon receipt of such opinion of counsel, the Issuer and the trustee will execute a supplemental indenture, a new form of note and any other document necessary to implement the amendments required by the Central Bank.

The Issuer and the trustee may also, without the consent of the noteholders, modify the indenture for certain specific purposes, including, among other things, providing for the issuance of additional notes, curing ambiguities, defects or inconsistencies or including any other provisions with respect to matters or questions arising under the indenture, so long as that correction or added provision will not adversely affect the interests of the noteholders in any material respect.

Changes Requiring Approval of the Noteholders

In addition, the indenture may be modified by the Issuer and the trustee with the consent of the holders of a majority in aggregate principal amount of the notes then outstanding. However, no modification may, without the consent of the noteholder of each outstanding note affected thereby:

- change the maturity of any payment of principal of or any installment of interest on any note;
- reduce the principal amount or the rate of interest, or change the method of computing the amount of principal or interest payable on any date;
- change any place of payment where the principal of or interest on the notes is payable;

- change the coin or currency in which the principal of or interest on the notes is payable;
- impair the right of the noteholders to institute suit for the enforcement of any payment on or after the date due;
- modify the subordination provisions of the indenture in a manner adverse to the noteholders;
- reduce the percentage in principal amount of the outstanding notes, the consent of whose holders is required for any modification of or waiver of compliance with any provision of the indenture or defaults under the indenture and their consequences; or
- modify the provisions summarized in this paragraph or the provisions of the indenture regarding waivers of past defaults, except to increase any percentage or to provide that other provisions of the indenture cannot be modified or waived without the consent of each noteholder affected thereby.

After an amendment described in the preceding paragraph, the Issuer is required to mail through the trustee, to the noteholders a notice briefly describing the amendment. However, the failure to give that notice to all the noteholders, or any defect in the notice, will not affect the validity of the amendment.

A meeting of the noteholders may be called by the trustee at any time. The Issuer or the holders of at least 10% in aggregate principal amount of the outstanding notes may call a meeting if the Issuer or said holders have requested the trustee in writing to call such a meeting and the trustee has not given notice of such a meeting within 20 days of receiving the request. Notices of meetings must include the time and place of the meeting and a general description of the action proposed to be taken at the meeting and must be given not less than 30 days nor more than 60 days before the date of the meeting, except that notices of meetings reconvened after adjournment must be given not less than 10 days nor more than 60 days before the date of the meeting. At any meeting, the presence of noteholders holding notes in an aggregate principal amount sufficient to take the action for which the meeting was called will constitute a quorum. Any modifications to or waivers of the indenture or the notes will be conclusive and binding on all holders of notes, whether or not they have given their consent (unless required under the indenture) or were present at any duly held meeting.

Notes owned by the Issuer or any legal entity related to the Issuer within the same financial conglomerate or economic/financial group, and known by a responsible officer of the trustee to be so owned, will not be considered outstanding for the purpose of determining whether the requisite aggregate principal amount of notes has concurred in any request, demand, notice, consent or waiver under the indenture.

It is not necessary for the noteholders to approve the particular form of any proposed modification of the indenture, but it is sufficient if that consent approves the substance of the proposed modification.

Notwithstanding any approval by the noteholders, any change, amendment or revocation affecting certain provisions established in CMN Resolution N. 3,444 will be subject to prior authorization by the Central Bank.

Changes Impacting Subordination

The amendment, modification or revocation of any provision of the indenture affecting the subordination of the notes under CMN Resolution 3,444 is subject to the prior approval of the Central Bank or any successor organization thereto.

Defeasance

The Issuer may, at its option at any time, with the prior approval of the Central Bank, defease its obligations with respect to the notes by "legal defeasance" or "covenant defeasance." In general, upon legal defeasance, the Issuer will be deemed to have paid and discharged all its indebtedness under the notes and to have satisfied all of its obligations under the notes and the indenture except that the following will survive: (1) the rights of the noteholders to receive payments of principal of and interest on the notes (including any additional amounts) when the payments are due, (2) the Issuer's obligations relating to the transfer and exchange of notes, the payment of additional amounts, maintenance of a paying agent and a note registrar and certain other matters specified in the indenture and (3) the rights, powers, trusts, duties, immunities and indemnities of the trustee.

In addition, through covenant defeasance, the Issuer may defease its obligations under the covenants described above under the caption "—Certain Covenants," other than the covenants described under "—Performance of Obligations Under the notes and the indenture" and "—Use of Proceeds" and certain covenants relating to the deposit of amounts to pay principal and interest on the notes, actions with respect to paying agents, the return of unclaimed monies and other matters. Following covenant defeasance, the Issuer may omit to comply with any defeased covenant, and the subordination provisions of the indenture will cease to be effective.

In order to exercise either legal defeasance or covenant defeasance, the Issuer must satisfy the following conditions:

- the Issuer must irrevocably deposit with the trustee cash in: (i) U.S. dollars; or (ii) permitted investments (certain U.S. dollar-denominated obligations or repurchase agreements, as defined in the indenture); or (iii) a combination thereof, in an amount sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of and each installment of interest on the notes in accordance with the terms of the indenture and the notes;

- no event of default, or event which with notice or lapse of time or other conditions would become an event of default, has occurred and is continuing on the date of deposit and in the case of legal defeasance only, with respect to the liquidation, bankruptcy, insolvency and other events described in the third and fourth bullet points under "—Events of Default" have not occurred and are not continuing, at any time during the period ending on the 123rd day after the date of that deposit or, if longer, the period ending on the day after the longest applicable preference period relating to that deposit expires;

- the Issuer must deliver to the trustee an opinion of counsel to the effect that payment of amounts deposited in trust with the trustee will not be subject to future taxes or other governmental charges imposed by any taxing jurisdiction, except to the extent that additional amounts in respect thereof have been deposited in trust with the trustee;

- such defeasance will not result in a breach or violation of any other agreement or instrument to which the Issuer is a party or by which the Issuer is bound;

- the Issuer has delivered to the trustee an officer's certificate and an opinion of counsel stating that all the conditions to defeasance have been complied with; and

- no default in the payment of principal, premium, if any, or interest on any of the senior indebtedness has occurred and is continuing, such senior indebtedness have not been accelerated and no other event of default under the senior indebtedness has occurred and is continuing that would permit acceleration of those obligations.

Satisfaction and Discharge

The notes will be deemed to be paid for all purposes under the indenture, and the Issuer's indebtedness under the notes will be deemed to have been satisfied and discharged if the following conditions are met:

- either the Issuer has given a notice of redemption and all other conditions to redemption have been met (subject to the approval of the Central Bank, if required) or the notes have otherwise become due and payable or will become due and payable within one year;

- the Issuer has irrevocably deposited money in trust with the trustee that will be sufficient to pay when due all the principal of and interest on the notes to maturity or redemption;

- no event of default or event that, with the giving of notice, lapse of time or other conditions, would become an event of default has occurred and is continuing on the date of the deposit, and the deposit will not breach any other instrument to which the Issuer is a party or by which the Issuer is bound; and
- the trustee has received an opinion of counsel to the effect that the satisfaction and discharge of the Issuer's indebtedness under the notes will not be deemed to be a taxable event for the noteholders for United States income tax purposes, unless the trustee has received documentary evidence that each noteholder is either not subject to or is exempt from United States income taxation.

The indenture will cease to be of further effect when:

- either (1) all the notes have been delivered to the trustee for cancellation (other than destroyed, lost or stolen notes that have been replaced or paid in accordance with the indenture, notes that are deemed to have been paid as described in the preceding paragraph and notes for whose payment money has been deposited in trust or held in trust by the Issuer and have thereafter been returned to the Issuer) or (2) all notes that have not been delivered to the trustee for cancellation have been deemed to have been paid as described in the preceding paragraph;
- all other amounts due and payable under the indenture have been paid; and
- the Issuer has delivered to the trustee an officer's certificate and an opinion of counsel stating that the conditions to satisfaction and discharge of the indenture have been complied with.

Notwithstanding the satisfaction and discharge of the notes and/or the indenture, the Issuer's obligations under specified provisions of the indenture relating to the transfer and exchange of notes, payment of additional amounts, maintenance of a paying agent and a note registrar and certain other matters specified in the indenture will survive.

Replacement of Notes

If any note becomes mutilated, destroyed, lost or stolen, the Issuer will execute and, upon the Issuer's request, the trustee will authenticate and deliver a new note of like tenor, interest rate and principal amount in exchange and substitution for that note, so long as the noteholder delivers to the Issuer, the note registrar and the trustee satisfactory evidence of its ownership and of the destruction, loss or theft of the note and provides such security or indemnity as they may require to hold them harmless. However, if a mutilated, destroyed, lost or stolen note has become or is about to become due and payable, the Issuer may pay the outstanding amounts due under the note instead of issuing a new note. Mutilated or defaced notes must be surrendered before replacements will be issued. The Issuer may require that the noteholder pay any taxes or other expenses in connection with the replacement of the note.

The Trustee

The Bank of New York Mellon is the trustee under the indenture and has been appointed by the Issuer as note registrar and a paying agent with respect to the notes. The address of the trustee is care of The Bank of New York Mellon at 101 Barclay Street, Floor 4E, New York, New York 10286.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any noteholder are subject to the immunities and rights set forth in the indenture.

The Issuer and its affiliates may from time to time enter into banking, trust or other transactions with the trustee and its affiliates in the ordinary course of business.

The trustee and its affiliates may hold notes in their own names.

Paying Agents; Transfer Agents; Registrar

The Issuer has initially appointed The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent and The Bank of New York Mellon as New York paying agent, registrar and transfer agent. The Issuer may at any time appoint new paying agents, transfer agents and registrars. However, the Issuer will at all times maintain a paying agent in New York City until the notes are paid.

Notices

Whenever the indenture requires notice to the noteholders, such notice will be given by the trustee (unless the indenture specifies otherwise):

- first class mail, postage prepaid, to the address of each noteholder as it appears in the note register; and

- so long as the notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, publication in English on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in English in a leading newspaper of general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, if that is not practicable, in another English-language daily newspaper of general circulation in Europe.

Notice will be deemed to have been validly given on the date of mailing or publication, as the case may be.

Prescription

Claims against the Issuer (if any) for payment in respect of the notes shall be prescribed and become void unless made within a period of six years of the applicable payment date.

Governing Law

The indenture and the notes are governed by the laws of the State of New York, except for the subordination provisions thereof, which are governed by the laws of Brazil.

Jurisdiction

The Issuer has consented to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan, The City of New York, and any appellate court from any of those courts. Service of process in any such action or proceeding may be served upon the Issuer at National Corporate Research, Ltd., 10 East 40th Street, 10th floor, New York, New York 10016. The notes and the indenture provide that if the Issuer no longer maintains that process agent in New York City, then the Issuer will appoint a new process agent in New York City.

Currency Rate Indemnity

The U.S. dollar is the sole currency of account for the notes and payment for all sums payable by the Issuer under the notes, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the Issuer's winding-up or dissolution or otherwise) by a noteholder with respect to any amount due to it under the notes will constitute a discharge to the Issuer only to the extent that the noteholder is able to purchase with the amount it receives or recovers the relevant amount in U.S. dollars (or if it is not practicable to make a purchase of U.S. dollars on that date, on the first date on which it is practicable to do so). If the amount in U.S. dollars is less than the amount expressed to be due to the noteholder, the Issuer will indemnify the noteholder against any loss sustained as a result. In any event, the Issuer will indemnify the noteholder against the cost of any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the noteholder to certify in a satisfactory manner (indicating sources of information used) that it would have suffered a loss had it made an actual purchase of U.S. dollars with the amount it received or recovered in the other currency on the date it received or recovered that amount (or, if a purchase of U.S. dollars on that date had not been practicable, on the first date on which it would have been practicable, so long as the noteholder certifies the need for the change of date).

These indemnities are a separate and independent obligation from the Issuer's other obligations, will give rise to a separate and independent cause of action, will apply regardless of any waiver or extension granted by the noteholder and will continue in full force and effect in spite of any other judgment or order or the filing of any proof of claim in the winding-up of the Issuer's company for a liquidated sum.

FORM OF THE NOTES

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (or the Regulation S Global Note) and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (or the Restricted Global Note and, together with the Regulation S Global Note, the global notes) and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes will be subject to certain restrictions on transfer as described in "Transfer Restrictions." On or prior to the 40th day after the later of the commencement of the offering and the closing date of this offering, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a "*qualified institutional buyer*" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (or a Restricted Global Note Certificate). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before, on or after such 40th day, only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act (or a Regulation S Global Note Certificate). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under "—Global Notes," owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The notes are not issuable in bearer form.

Global Notes

Upon the issuance of the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC (or DTC Participants) or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Unless DTC notifies the Bank that it is unwilling or unable to continue as depositary for a global note, or ceases to be a "*clearing agency*" registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act, or any of the notes becomes immediately due and payable in accordance with "Description of the Notes—Events of Default," owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream, Luxembourg).

DTC has advised that it will take any action permitted to be taken by holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for individual definitive notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the Uniform Commercial Code and a "*Clearing Agency*" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (or indirect participants).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Bank nor the trustee will have any responsibility for the performance of DTC, Euroclear or Clearstream, Luxembourg or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary and a successor depositary is not appointed by the Bank within 90 days or (2) any of the notes has become immediately due and payable in accordance with "Description of the Notes—Events of Default," the Bank will issue individual definitive notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from the Bank, DTC or the trustee, as the case may be, the Bank will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for individual definitive notes will be required to provide the registrar with (a) written instructions and other information required by the Bank and the registrar to complete, execute and deliver such individual definitive notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive notes issued in exchange for the Restricted Global Note, such individual definitive notes will bear, and be subject to, the legend described in "Transfer Restrictions" (unless the Bank determines otherwise in accordance with applicable law). The holder of a restricted individual definitive note may transfer such note, subject to compliance with the provisions of such legend, as provided in "Description of the Notes." Upon the transfer, exchange or replacement of notes bearing the legend, or upon specific request for removal of the legend on a note, the Bank will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to it such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Bank that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the trustee with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream, Luxembourg or DTC.

TAXATION

Brazilian Tax Considerations

The following discussion is a general description of certain Brazilian tax aspects of the notes applicable to an individual, entity, trust or organization resident or domiciled outside Brazil, or a Non-Brazilian Holder, and does not purport to be a comprehensive description of the tax aspects of the notes. This summary is based upon Brazilian tax laws in effect on the date of this offering memorandum and is subject to any change in Brazilian law that may come into effect after such date.

Investors should consult their tax advisors as to the tax laws and specific tax consequences of acquiring, holding and disposing of the notes, in particular with regard to notes having special features such as original issue discount or notes denominated in a foreign currency as to the holder.

Payments on the notes

Generally, a Non-Brazilian Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposal of assets located in Brazil.

Interest, fees, commissions (including any original issue discount) and any other income payable by a Brazilian obligor to an individual, company, entity, trust or organization domiciled outside Brazil in respect of debt obligations such as the notes is currently subject to income tax withheld at source. The rate of withholding tax with respect to debt obligations is generally 15%. However, in the event that the beneficiary of such payments is domiciled in a "tax haven" jurisdiction (as defined below), such payments of interest, fees, commissions (including any original issue discount) and any other income are subject to withholding at the general rate of 25% (the withholding rate remains 15% in the case of interest income payable by a Brazilian obligor to an individual, company, trust or organization domiciled outside Brazil in respect of debt obligations resulting from the issue of international debt securities by a Brazilian issuer previously registered with the Central Bank, including commercial paper, as provided for in Section 10 of Normative Instruction No. 252 of December 3, 2002 issued by the Brazilian Revenue Services).

A lower withholding rate may be applicable where there is a tax treaty between Brazil and the country where the effective beneficiary of the payment has its domicile. In this regard, Brazil and Japan are signatories to a treaty for the avoidance of double taxation, or the Brazil-Japan Treaty. Under the Brazil-Japan Treaty, entities incorporated in Japan (or a branch thereof) will be subject to Brazilian withholding tax at a rate of 12.5% with respect to interest payable with respect to debt obligations of a Brazilian company. The Bank intends to take the position for tax purposes that, as long as the principal paying agent for the notes is an entity incorporated in Japan (or a full branch thereof for the purposes of Japanese laws, duly licensed to operate as such by the applicable laws), and as long as payments of interest (including any original issue discount) on, and principal of, the notes are made to such principal paying agent, there are arguments to sustain that interest paid on the notes (and under the indenture) should likely be subject to Brazilian tax at a rate of 12.5% pursuant to the Brazil-Japan Treaty. For this purpose, the principal paying agent must be granted discharge powers and be authorised to receive payments, including, without limitation, on behalf of the noteholders, which would release the Brazilian debtor from the payment obligations. If the Bank is not able to rely on a treaty to make the payments, and the payments are not made by the Bank to the principal paying agent, any such payments will be subject to the Brazilian WHT at the rates referred to in the preceding paragraph.

A "tax haven" jurisdiction is a jurisdiction that does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%. In addition, on June 24, 2008, Law No. 11,727 was enacted, with effect from January 1, 2009, establishing that a jurisdiction or country where local legislation imposes restrictions on disclosing the shareholding composition or the ownership of an investment is also considered a tax haven jurisdiction.

Law No. 11,727 also changed the scope of new transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or taxes it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Because several Brazilian regulations refer to the concepts defined in the Brazilian transfer pricing rules when referring to tax haven jurisdictions, there is a risk that a privileged tax regime will be treated similarly to a low tax jurisdiction, and therefore subject such transactions to the burdensome income tax rates, discussed above.

Due to the recent enactment of this law, the Bank is not able to ascertain if this privileged tax regime concept will only be applied to determine the scope of transactions subject to transfer pricing rules or whether it will also serve to extend the concept of "tax haven" jurisdictions provided by other Brazilian regulations. The Federal Revenue Service may clarify itself on both alterations of Law No. 11,727, and may (i) issue a new tax haven list (the most recent such list was issued through Normative Ruling No. 188 on June 8, 2002); and (ii) determine which locations shall be considered under a privileged tax regime.

The Bank recommends that prospective purchasers consult their own tax advisors regarding the changes implemented by Law No. 11,727.

According to Law No. 10,833, gains assessed on the sale or other disposal of assets located in Brazil may be subject to tax in Brazil, regardless of whether the sale or disposal is made by the Non-Resident Holder to a resident or person domiciled in Brazil or to other non-resident. Based on the facts that the notes are issued abroad and, therefore, they should not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833, gains on the sale or other disposal of such notes made outside Brazil by a non-resident holder, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident would not be subject to Brazilian taxes. Although, considering the general and unclear scope of Law No. 10,833 and the absence of judicial court rulings in respect thereto, it is unpredictable whether such understanding ultimately will prevail in the courts of Brazil. If this position does not prevail, gains realized by a Non-Resident Holder from the sale or other disposal of the notes to a resident or a non-resident in Brazil will be subject to income tax in Brazil at a rate of 15%, or 25% if such non-resident is located in a tax haven jurisdiction.

Considering the above, it is important to clarify that, for purposes of Brazilian taxation, the income tax rules on gains related to disposal of assets in Brazil vary depending on the domicile of the Non-Resident Holder, the form by which such Non-Resident Holder has registered its investment before the Central Bank and/or how the disposal is carried out. As a general rule, capital gain realized on the disposal of assets located in Brazil is equal to the difference between the amount realized on the sale or exchange of the assets and their acquisition cost, without any correction for inflation.

Pursuant to Decree No. 6,306 of December 14, 2007 (as amended), the conversion into *reais* of proceeds received in foreign currency by a Brazilian entity and the conversion into foreign currency of proceeds received in *reais* are subject to the Tax on Exchange Transactions, or IOF/Câmbio. Currently, IOF/Câmbio rate for some foreign currency exchange transactions is 0.38%. According to Article 15, paragraph 1, XIX of Decree No. 6,306 and Decree No. 6,613 of October 22, 2008 (as amended by Decree No. 6,983 of October 19, 2009), the liquidation of exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, related to proceeds raised as from October 23, 2008 are subject to IOF at a zero percent rate. It is important to emphasize that there is controversy regarding whether the interest paid in connection with foreign-source financings or loans should fall under the scope of the IOF zero percent rate. The rate is 5.38% for the conversion of foreign loans with a term of less than 90 days into *real*. The Brazilian government is permitted to increase the rate at any time up to 25%. However, any increase in rates may only apply to future transactions.

Generally, except as indicated above, there are no stamp, transfer or other similar taxes in Brazil applicable to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some states of Brazil on gifts and bequests by the Non-Brazilian Holder to individuals or entities domiciled or residing within such Brazilian states.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the notes. Prospective holders of the notes should consult their own tax advisors concerning the tax consequences of their particular situations.

United States Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE NOTES; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of notes that are U.S. Holders, that will hold the notes as capital assets and that purchase the notes at their "issue price" (the first price at which a substantial amount of the notes are sold to the public). The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of notes by particular investors, and does not address state, local, non-U.S. or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of notes that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax adviser concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of notes by the partnership.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

This discussion assumes that the notes will be characterized as indebtedness for U.S. federal income tax purposes and that the ability to extend the maturity of the notes or to defer payments of interest and principal in certain situations, will not cause the notes to be classified as "contingent payment debt instruments" for U.S. federal income tax purposes and will not cause the payments of stated interest to fail to be classified as "qualified stated interest" for these purposes. However, no rulings have been or will be sought from the U.S. Internal Revenue Service (or the IRS) with respect to the notes. If these conclusions were successfully challenged by the IRS, U.S. holders would be subject to different rules than those described below. Prospective investors should consult their advisors with respect to these matters and the significance of a possible recharacterization in their particular situations.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR

TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

Interest on a note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for tax purposes. Interest paid by the Bank on the notes generally will constitute income from sources outside the United States.

If any Brazilian withholding taxes are imposed on payments of interest in respect of the notes, U.S. Holders will be treated for U.S. federal income tax purposes as having actually received the amount of Brazilian taxes withheld by the Bank with respect to a note, and as then having actually paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Bank with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Brazilian income taxes withheld by the Bank. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets," and the credit for foreign taxes on income in each basket is limited to U.S. federal income tax allocable to that income. Interest generally will be in the "passive income" basket. In certain circumstances a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Brazilian taxes imposed on a payment of interest if the U.S. Holder has not held the notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of these Brazilian taxes.

Purchase, Sale and Retirement of Notes

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a note equal to the difference between the amount realized on the sale or retirement and the tax basis of the note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be accounted for like a payment of interest. A U.S. Holder's tax basis in a note will generally be its cost. Gain or loss recognized on the sale or retirement of a note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the notes exceeds one year.

Gain or loss realized by a U.S. Holder on the sale or retirement of a note generally will be U.S. source. Consequently, if Brazilian withholding tax is imposed on any such gain, the U.S. Holder will not be able to use the corresponding foreign tax credit, unless the U.S. Holder has other foreign-source income of the appropriate type in respect of which the credit may be used. The U.S. foreign tax credit rules are very complex. U.S. Holders should consult their advisors with respect to the application of these rules to their particular circumstances.

Information Reporting and Backup Withholding

In general, payments of interest on, and the proceeds of a sale, redemption or other disposition of, the notes, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING ANY OTHER TAX REPORTING REQUIREMENTS THAT MAY ARISE AS A RESULT OF AN INVESTMENT IN, THE HOLDING OF OR THE DISPOSITION OF THE NOTES.

PLAN OF DISTRIBUTION

Subject to the terms contained in the purchase agreement dated April 20, 2010, or the purchase agreement, among the Bank and the initial purchasers, the Bank has agreed to sell, and the initial purchasers have agreed, severally not jointly, subject to certain conditions, to purchase, the following principal amount of notes:

Initial Purchasers	Principal Amount
HSBC Securities (USA) Inc.	U.S.$100,000,000
J.P. Morgan Securities Inc.	U.S.$100,000,000
Standard Chartered Bank	U.S.$100,000,000
Total	**U.S.$300,000,000**

The purchase agreement provides that the obligation of the initial purchasers to pay for and accept delivery of the notes is subject to the conditions specified in the purchase agreement, including the delivery of legal opinions by their counsel. Subject to the terms and conditions of the purchase agreement, the initial purchasers are obligated to take and pay for all of the notes offered hereby if any notes are taken. The Bank has been advised by the initial purchasers that they propose to offer and sell the notes initially to investors at the offering price set forth on the cover page of this offering memorandum and that after the initial offering, the price to investors may be changed.

BNP Paribas Securities Corp. will act as a co-manager for sales of the notes.

The purchase agreement provides that the Bank will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments the initial purchasers may be required to make in respect thereof.

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons (other than distributors) unless they are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "Transfer Restrictions." The Bank has been advised by the initial purchasers that they propose to resell the notes initially to qualified institutional buyers (as defined in Rule 144A) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and to non-U.S. Persons in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

The initial purchasers have agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the original issuance date of the notes, within the United States or to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of notes within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Prior to this offering, there has been no established market for the notes. Application has been made to list the notes on the Luxembourg Stock Exchange. The Bank has been advised by the initial purchasers that they currently intend to make a market in the notes as permitted by applicable laws and regulations. The initial purchasers are not obligated, however, to make a market in the notes and any such market-making may be discontinued at any time at the sole discretion of the initial purchasers. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Bank cannot assure you as to the liquidity of, or the development or continuation of trading markets for, the notes.

In connection with this offering, the initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchasers may bid for and purchase notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. In addition, if the initial purchasers create a short position in the notes in connection with the offering by selling more notes than are listed on the cover page of this offering memorandum, then the initial purchasers may reduce that short position by purchasing notes in the open market. The initial purchasers may also impose penalty bids, which would permit the initial purchasers to reclaim a selling concession from a dealer when the notes originally sold by that initial purchasers are purchased in a covering transaction to cover short positions. In general, purchases of a security for the purpose of stabilizing or reducing a short position could cause the price of that security to be higher than it might otherwise have been in the absence of those purchases. Also, the initial purchasers and/or their affiliates may acquire the notes for their own propriety accounts. Such acquisitions may have an effect on demand for and the price of the notes.

The Bank and/or its affiliates may, at their discretion, acquire notes in this offering. Any notes will not be treated as Tier II capital when, and to the extent, they are held directly or indirectly by the Bank.

The Bank has agreed with the initial purchasers that the Bank will not, and the Bank will not permit its subsidiaries to, without the prior written consent of the initial purchasers, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose on the international capital markets of any U.S. dollar denominated debt securities similar to the notes for a period of 90 days from the date of the final offering memorandum.

No action has been or will be taken in any country or jurisdiction by the Bank or the initial purchasers that would permit a public offering of notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering memorandum comes are required by the Bank and the initial purchasers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver notes or have in their possession or distribute such offering material, in all cases at their own expense.

Each of the initial purchasers of the notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this offering memorandum.

The initial purchasers have from time to time historically provided, and may in the future provide, investment banking, financial advisory and other services to the Bank and its affiliates for which it has received or expects to receive customary fees.

Brazil

The notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. Therefore, each of the initial purchasers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

United Kingdom

Each of the initial purchasers has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(ii) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the notes in, from or otherwise involving the United Kingdom.

Japan

The initial purchasers will not offer or sell any notes directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, "Japanese person" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Hong Kong

Each of the initial purchasers has represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

The offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the initial purchasers may not offer nor sell the notes pursuant to an offering nor make the notes the subject of an invitation for subscription or purchase, nor will the initial purchasers circulate or distribute this offering memorandum or and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the notes, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the notes should note that any subsequent sale of the notes acquired pursuant to an offer in this offering memorandum made under exemptions (a) or (b) above within a period of six months from the date of initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA), (ii) relevant persons as defined in Section 275(2) of the SFA, and (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(1) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(2) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that relevant Member State, or relevant implementation date, an offer of notes described in this offering memorandum may not be made to the public in that relevant Member State prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that relevant Member State or, where appropriate, approved in another relevant Member State and notified to the competent authority in that relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant Member State at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- by the joint bookrunners to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the joint bookrunners for any such offer; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an "offer to the public" in any relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each relevant Member State.

The Bank has not authorized and does not authorize the making of any offer of notes through any financial intermediary on behalf of the Bank, other than offers made by the initial purchasers with a view to the final placement of the notes as contemplated in this offering memorandum. Accordingly, no purchaser of the notes is authorized to make any further offer of the notes on behalf of the Bank or of the initial purchasers.

Germany

The notes offered by this offering memorandum have not been and will not be offered to the public within the meaning of the German Sales Prospectus Act (*Verkaufsprospektgesetz*) or the German Investment Act (*Investmentgesetz*). The notes have not been and will not be listed on a German exchange. No sales prospectus pursuant to the German Sales Prospectus Act has been or will be published or circulated in Germany or filed with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any other governmental or regulatory authority in Germany. This offering memorandum does not constitute an offer to the public in Germany and it does not serve for public distribution of the notes in Germany. Neither this offering memorandum, nor any other document issued in connection with this offering, may be issued or distributed to any person in Germany except under circumstances which do not constitute an offer to the public within the meaning of the German Sales Prospectus Act or the German Investment Act.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The notes will not be listed on the SIX Swiss Exchange and, therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the notes with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

Portugal

Each initial purchaser has represented and agreed that the notes may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (*Código de Valores Mobiliários* as approved by the Decree-Law No. 486/99 of November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the notes nor a public offer for the sale of the notes shall be promoted in Portugal.

Spain

Each initial purchaser has acknowledged that the notes may not be offered or sold in the Kingdom of Spain by means of an offer as defined and construed by Spanish law and has represented that it will not offer, promote or sell in the Kingdom of Spain any notes except in accordance with the requirements of the Spanish Securities Market Law (*Ley del Mercado de Valores*) of July 28, 1988, as amended and restated, and Royal Decree No. 291/1992 on Issues and Public Offerings of Securities (*Real Decreto sobre Emisiones y Ofertas Públicas de Valores*), as amended and restated.

Italy

This offering has not been registered with the Commissione Nazionale per le Società e la Borsa (CONSOB) pursuant to Italian securities legislation. The notes offered by this offering memorandum may not be offered or sold nor may this offering memorandum or any other offering materials be distributed in the Republic of Italy unless such offer, sale or distribution is:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of September 1, 1993 (Decree No. 385), Legislative Decree No. 58 of February 24, 1998, CONSOB Regulation No. 11971 or May 14, 1999 and any other applicable laws and regulations;

- made (i) to professional investors (*operatori qualificati*) as defined in Article 31, second paragraph of CONSOB Regulation No. 11422 of July 1, 1998, as amended, or Regulation No. 11522, (ii) in circumstances where an exemption from the rules governing solicitations to the public at large applies pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended or (iii) to persons located in the Republic of Italy who submit an unsolicited request to purchase notes; and

- in compliance with all relevant Italian securities and tax laws and regulations.

TRANSFER RESTRICTIONS

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the notes are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. As used in this section, the terms "United States," "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Bank and the initial purchasers as follows:

- 1. It is:
    - a qualified institutional buyer, is aware that the sale of the notes to it is being made in reliance on Rule 144A and is acquiring the notes for its own account or for the account of a qualified institutional buyer; or
    - not a U.S. person and is purchasing the notes outside the United States in compliance with Regulation S.
- 2. It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the notes have not been registered under the Securities Act.
- 3. If it is acquiring the notes in a sale made in reliance upon Rule 144A, it will not offer, resell, pledge or otherwise transfer notes prior to the date that is one year after the later of the original issue date of the notes and the last date on which the Bank or any of its affiliates was the owner of that Security (or any predecessor of that Security) except:
    - to the Bank;
    - inside the United States to a qualified institutional buyer in compliance with Rule 144A;
    - outside the United States to non-U.S. persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S;
    - in a transaction complying with Rule 144 under the Securities Act (if available); or
    - pursuant to an effective registration statement under the Securities Act,

in each case in accordance with any applicable securities laws of any state of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those notes from it of the resale restrictions referred to above.

- 4. If it is acquiring the notes in a sale being made in reliance upon Rule 144A, it understands that the notes will, until one year after the later of the original issue date of the notes and the last date on which the Bank or any of its affiliates was the owner of that Security (or any predecessor of that Security), unless otherwise agreed by the Bank and the Securityholder, bear a legend substantially to the following effect:

"This security has not been registered under the United States Securities Act of 1933, as amended, or the Securities Act, or the securities laws of any state or other jurisdiction. Neither this security nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of in the absence of such registration or unless such transaction is exempt from, or not subject to, such registration.

The holder of this security by its acceptance hereof (1) represents that it is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) purchasing this security for its own account or for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such security, prior to the date, or the resale restriction termination date, which is one year after the later of the original issue date hereof and the last date on which the issuer or any affiliate of the issuer was the owner of this security (or any predecessor of such security), only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer", that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed upon the request of the holder after the resale restriction termination date."

- 5. If it is acquiring the notes in a sale being made in reliance upon Regulation S, it understands that the notes will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S, bear a legend substantially to the following effect:

"This security has not been registered under the United States Securities Act of 1933, as amended, or the Securities Act, or the securities laws of any state or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except as set forth in the following sentence. By its acquisition hereof, the holder (1) represents that it is not a U.S. person, is not acquiring this security for the account or benefit of a U.S. person and is acquiring this security in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the notes are eligible for resale pursuant to Rule 144A under the Securities Act, or Rule 144A, to a person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act or (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed after 40 consecutive days beginning on and including the later of (a) the day on which the notes are offered to persons other than distributors (as defined in Regulation S) and (b) the date of the closing of the original offering. As used herein, the terms "offshore transaction", "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act.

- 6. If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, no offer or sale of the notes shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(o) of the Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

- 7. It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Bank that the restrictions set forth herein have been complied with.

- 8. It acknowledges that the Bank and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of notes are no longer accurate, it will promptly notify the Bank and the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

9. It will be deemed to have represented and agreed either that (i) it is not and for so long as it holds notes will not be (and is not acquiring the notes directly or indirectly with the assets of a person who is or while the notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law, or foreign law) for which an exemption is not available. Similarly, each transferee of any notes, by virtue of the transfer of such notes to such transferee, will be deemed to have represented and agreed either that (i) it is not and for so long as it holds notes will not be (and is not acquiring the notes directly or indirectly with the assets of a person who is or while the notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or foreign law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the notes will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar federal, state or local law, or foreign law) for which an exemption is not available.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the notes in Canada is being made only on a private placement basis exempt from the requirement that the Bank prepares and files a prospectus with the securities regulatory authorities in each province where trades of the notes are made. Any resale of the notes in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the notes.

Representations of Purchasers

By purchasing the notes in Canada and accepting a purchase confirmation a purchaser is representing to the Bank and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the notes without the benefit of a prospectus qualified under those securities laws,
- where required by law, that the purchaser is purchasing as principal and not as agent,
- the purchaser has reviewed the text above under Resale Restrictions, and
- the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the notes to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

Rights of Action – Ontario Purchasers Only

Under Ontario securities legislation, certain purchasers who purchase a security offered by this offering memorandum during the period of distribution will have a statutory right of action for damages, or while still the owner of the notes, for rescission against the Bank in the event that this offering memorandum contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Bank. In no case will the amount recoverable in any action exceed the price at which the notes were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, the Bank will have no liability. In the case of an action for damages, the Bank will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of the Bank's directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Bank or those persons. All or a substantial portion of the Bank's assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Bank or those persons in Canada or to enforce a judgment obtained in Canadian courts against the Bank or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the notes in their particular circumstances and about the eligibility of the notes for investment by the purchaser under relevant Canadian legislation.

LEGAL MATTERS

The validity of the notes will be passed on for the Bank by Clifford Chance US LLP, U.S. counsel to the Bank and by Cleary Gottlieb Steen & Hamilton LLP, U.S. counsel to the initial purchasers. The validity of the issuance of the notes and certain matters in connection with Brazilian law will be passed upon for the Bank by Machado, Meyer, Sendacz e Opice Advogados, Brazilian counsel to the Bank, and by, Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, Brazilian counsel for the initial purchasers.

INDEPENDENT ACCOUNTANTS

The Bank's audited consolidated financial statements as of and for the years ended December 31, 2009 and 2008, and as of and for the years ended December 31, 2008 and 2007, included in this offering memorandum, have been audited by KPMG Auditores Independentes, independent auditors, in accordance with auditing standards generally accepted in Brazil, as stated in their reports appearing elsewhere herein.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance and settlement through DTC, Euroclear and Clearstream, Luxembourg. The CUSIP and ISIN numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	05961HAC2	P1337QAT4
ISIN	US05961HAC25	USP1337QAT42

2. Copies of the Bank's latest audited annual financial statements and unaudited quarterly financial statements, if any, as well as the Bank's bylaws *(estatuto social)* in English, may be obtained during normal business hours at the Bank's principal office, the offices of the trustee and any paying agent, including the principal paying agent, in electronic form, for the life of the notes. Copies of the indenture (including the forms of the notes) will be available during normal business hours for inspection at the Bank's principal office, the offices of the trustee and any paying agent, including the principal paying agent, in electronic form, for the life of the notes.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in the Bank's financial position since December 31, 2009, the date of the last audited financial statements included in this offering memorandum.

4. Except as disclosed in this offering memorandum, the Bank is not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as the Bank is aware is any such litigation or arbitration pending or threatened.

5. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. The Bank will comply with any undertakings assumed or undertaken by it from time to time to the Euro MTF Market of the Luxembourg Stock Exchange in connection with the notes, and the Bank will furnish to them all such information as the rules of the Euro MTF Market of the Luxembourg Stock Exchange may require in connection with the listing of the notes.

6. The Bank's board of officers authorized the issuance of the notes by a resolution dated April 5, 2010.

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Banco Industrial e Comercial S.A. and
BICBANCO CONSOLIDATED

Financial statements
December 31, 2009 and 2008

Independent auditors' report

To
The Board of Directors and Shareholders
Banco Industrial e Comercial S.A.
São Paulo - SP

We have examined the balance sheets of Banco Industrial e Comercial S.A. (BICBANCO) and the consolidated balance sheets of the Bank, its subsidiaries and the credit receivables investment funds (BICBANCO Consolidated) as of December 31, 2009 and 2008 and the related statements of income, changes in shareholders' equity, cash flows and value added for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

Our examinations were conducted in accordance with auditing standards accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Bank and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by the management of the Bank and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Banco Industrial e Comercial S.A., and the consolidated financial position of the Bank, its subsidiaries and the credit receivables investment funds, as of December 31, 2009 and 2008, and the results of their operations, changes in their shareholders' equity, cash flows and value added for the years then ended, in conformity with accounting practices adopted in Brazil.

São Paulo, February 8, 2010

KPMG Auditores Independentes
CRC 2SP014428/O-6

Alberto Spilborghs Neto
Accountant CRC 1SP167455/O-0

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Balance sheets

At December 31,2009 and 2008

(In thousands of Reais)

Assets	Note	BICBANCO 2009	BICBANCO 2008	BICBANCO Consolidated 2009	BICBANCO Consolidated 2008
Current Assets		8.185.605	9.454.418	8.486.294	9.663.309
Cash and cash equivalents	4a.	245.264	200.106	245.330	200.183
Interbank funds applied		992.958	1.639.617	946.687	1.639.617
Money market	4b.	888.053	1.507.402	888.053	1.507.402
Interbank deposits	4c.	104.390	43.645	58.119	43.645
Foreign currency	4d.	515	88.570	515	88.570
Securities and derivative financial instruments		325.433	435.041	447.402	446.287
Own portfolio	5b.	215.696	204.327	287.244	215.573
Subject to repurchase commitments	5b./5d.	14.575	1.800	14.575	1.800
Subject to brazilian central bank	5b.	-	-	50.421	-
Subject to guarantees	5b.	95.039	126.530	95.039	126.530
Derivative financial instruments	6b.	123	102.384	123	102.384
Interbank accounts		95.830	118.415	95.830	118.415
Unsettled payments and receipts		25	104	25	104
Restricted deposits:					
Brazilian central bank	7.	95.805	118.269	95.805	118.269
Domestic correspondents		-	42	-	42
Loans		5.455.697	5.481.804	5.558.485	5.612.375
Loans	8.	5.679.790	5.689.247	5.794.645	5.820.593
Public sector		97.396	147.258	97.396	147.258
Private sector		5.582.394	5.541.989	5.697.249	5.673.335
Allowance for loan losses	9.	(224.093)	(207.443)	(236.160)	(208.218)
Lease operations	8i.	-	-	111.023	54.808
Lease receivables - private sector		-	-	113.150	55.726
Allowance for doubtful lease receivable		-	-	(2.127)	(918)
Other receivables		1.049.159	1.550.278	1.059.921	1.562.454
Foreign exchange portfolio	10.	973.920	1.527.968	973.920	1.527.968
Income receivable		5.415	2.924	5.884	5.598
Securities clearing accounts		84	5.633	5.314	13.680
Other	11.	104.470	56.454	109.561	57.909
Allowance for losses	9.	(34.730)	(42.701)	(34.758)	(42.701)

Other assets		21.264	29.157	21.616	29.170
Prepayments	12b.	21.264	29.157	21.616	29.170
Noncurrent assets		2.714.576	2.111.227	2.833.346	2.251.066
Interbank funds applied		112.922	42.295	112.922	42.295
Interbank deposits	4c.	112.922	42.295	112.922	42.295
Securities and derivative financial instruments		108.876	300.641	8.968	219.189
Own portoflio	5b.	99.908	106.641	-	25.189
Derivative financial instruments	6b.	8.968	194.000	8.968	194.000
Loans		1.954.257	1.302.691	2.029.414	1.440.814
Loans	8.	2.095.545	1.359.295	2.170.702	1.497.418
Public sector		140.837	126.518	140.837	126.518
Private sector		1.954.708	1.232.777	2.029.865	1.370.900
Allowance for loan losses	9.	(141.288)	(56.604)	(141.288)	(56.604)
Lease operations	8i.	-	-	112.652	58.700
Lease receivables - private sector		-	-	115.740	60.092
Allowance for doubtful lease receivable		-	-	(3.088)	(1.392)
Other receivables		488.407	425.019	519.266	449.464
Guarantees and sureties honored		2.000	-	2.000	-
Other	11.	487.822	425.352	518.681	450.491
Allowance for losses	9.	(1.415)	(333)	(1.415)	(1.027)
Other assets		50.114	40.581	50.124	40.604
Other assets	12a.	43.074	26.631	43.074	26.631
Prepayments	12b.	19.833	26.977	19.843	27.000
Provision for devalutaion of other assets	12a.	(12.793)	(13.027)	(12.793)	(13.027)
Permanent assets		225.539	176.531	80.020	92.972
Investments		146.139	84.173	620	614
Investments in subsidiaries - domestic	15.	145.518	83.559	-	-
Other investments		1.068	1.062	1.110	1.104
Provision for devaluation of investments		(447)	(448)	(490)	(490)
Fixed assets	13a.	47.633	46.110	47.633	46.110
Property for use		56.153	52.314	56.153	52.314
Other fixed assets		30.902	28.952	30.902	28.952
Accumulated depreciation		(39.422)	(35.156)	(39.422)	(35.156)
Intangible	13b.	2.298	978	2.298	978
Intangible assets		2.629	995	2.629	995
Accumulated amortization		(331)	(17)	(331)	(17)

Deferred charges	13c.	29.469	45.270	29.469	45.270
Organization and expansion costs		85.584	85.953	85.584	85.953
Accumulated amortization		(56.115)	(40.683)	(56.115)	(40.683)
Total assets		**11.125.720**	**11.742.176**	**11.399.660**	**12.007.347**

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Balance sheets

At December 31,2009 and 2008

(In thousands of Reais)

Liabilities	Note	BICBANCO 2009	BICBANCO 2008	BICBANCO Consolidated 2009	BICBANCO Consolidated 2008
Current liabilities		7.076.125	6.982.596	7.180.933	6.963.033
Deposits	17a.	4.683.219	3.391.592	4.677.438	3.347.443
Demand deposits		368.627	110.770	368.305	110.240
Savings deposits		11.805	175.670	11.805	175.646
Interbank deposits		495.190	326.473	495.190	326.473
Time deposits		3.807.421	2.774.815	3.801.962	2.731.220
Other deposits		176	3.864	176	3.864
Money market repurchase commitment		14.551	24.614	8.449	19.663
Own portoflio	5d.	14.551	1.798	8.449	1.798
Third-party portfolio		-	22.816	-	17.865
Debt securities		386.572	472.365	475.289	479.880
Funds from debentures		-	-	88.717	7.515
Securities issued abroad	19.	386.572	472.365	386.572	472.365
Interbank accounts		93	107	93	107
Unsettled payments and receipts		75	104	75	104
Domestic correspondents		18	3	18	3
Interbranch accounts		30.453	26.723	30.453	26.723
Third party funds in transit		30.453	26.661	30.453	26.661
Internal transfers		-	62	-	62
Borrowings	21.	1.223.315	1.937.522	1.223.315	1.937.522
Foreign currency borrowings		1.223.315	1.937.522	1.223.315	1.937.522
Repass borrowings	22.	29.992	8.707	29.992	8.707
Bndes		1.326	8.707	1.326	8.707
Agriculture ministry		28.666	-	28.666	-
Foreign currency repass borrowings	21.	146.200	58.281	146.200	58.281
Derivative financial instruments	6b.	68.716	27.466	68.716	27.466

Other liabilities		493.014	1.035.219	520.988	1.057.241
Tax collection		3.795	399	3.795	399
Foreign exchange portfolio	10.	135.109	631.907	135.109	631.907
Social and statutory payables		40.240	20.271	40.240	20.271
Taxes and social security contributions	23.	139.616	221.102	143.812	223.281
Securities clearing accounts		5.781	6.697	5.781	6.697
Application of specific resources		22.156	13.737	22.156	13.737
Subordinated debts	26.	7.563	9.496	7.563	9.496
Other	25.	138.754	131.610	162.532	151.453
Noncurrent liabilities		2.272.134	3.065.165	2.443.292	3.354.081
Deposits	17a.	1.153.746	1.121.442	1.134.033	1.096.650
Interbank deposits		17.839	11.571	17.839	11.571
Time deposits		1.135.907	1.109.871	1.116.194	1.085.079
Debt securities		133.076	537.952	133.076	642.577
Funds from debentures		-	-	-	104.625
Securities issued abroad	19.	133.076	537.952	133.076	537.952
Borrowings		247.090	345.995	247.090	345.995
Foreign currency borrowings		247.090	345.995	247.090	345.995
Repass borrowings	22.	2.569	676	2.569	676
Bndes		1.069	676	1.069	676
Agriculture ministry		1.500	-	1.500	-
Foreign currency repass borrowings	21.	204.275	424.764	204.275	424.764
Derivative financial instruments	6b.	109.763	24.797	109.763	24.797
Other liabilities		421.615	609.539	612.486	818.622
Taxes and social security contributions	23.	212.767	275.276	232.188	283.281
Securities clearing accounts		-	58.034	-	58.034
Subordinated debts	26.	208.848	276.229	208.848	276.229
Other	25.	-	-	171.450	201.078
Deferred income	27.	9.013	5.148	9.013	5.148
Shareholders' equity	28.	1.768.448	1.689.267	1.766.422	1.685.085
Total paid-in-capital		1.434.206	1.434.206	1.434.206	1.434.206
Capital - Domestic		1.280.929	1.240.857	1.280.929	1.240.857
Capital - Foreign		153.277	193.349	153.277	193.349
Revenue reserves		381.934	261.512	379.908	257.330
(-) treasury shares		(47.692)	(6.451)	(47.692)	(6.451)
Total liabilities		**11.125.720**	**11.742.176**	**11.399.660**	**12.007.347**

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Statements of income

At December 31, 2009 and 2008

(In thousands of Reais except for net income per share)

	Note	BICBANCO			BICBANCO Consolidated		
		2nd Semester 2009	2009	2008	2nd Semester 2009	2009	2008
Financial operations income		699.024	1.449.173	2.005.986	715.799	1.487.546	1.995.891
Loans	30a.	616.196	1.265.302	1.790.318	627.134	1.286.669	1.788.809
Leases		-	-	-	17.918	32.767	12.747
Securities	30b.	82.828	183.586	188.851	70.747	167.825	167.518
Income from compulsory investments		-	285	26.817	-	285	26.817
Financial operations expenses		(319.883)	(699.112)	(1.236.778)	(328.096)	(721.450)	(1.239.606)
Deposits, money market and interbank funds	30e.	(187.983)	(345.077)	(916.432)	(189.773)	(347.656)	(915.670)
Borrowings and repasses	30f.	121.311	339.679	(574.134)	121.311	339.679	(574.134)
Derivative financial instruments	30c.	(126.472)	(330.782)	122.242	(126.472)	(330.782)	122.242
Foreign exchange transactions	30d.	(48.674)	(150.872)	405.221	(48.674)	(150.872)	405.221
Allowance for loan losses	9a.	(78.065)	(212.060)	(273.675)	(84.488)	(231.819)	(277.265)
Gross profit from financial operations		379.141	750.061	769.208	387.703	766.096	756.285
Other operating income (expenses)		(156.944)	(277.571)	(367.873)	(162.484)	(290.040)	(359.422)
Service fee income		5.857	11.202	9.931	6.275	12.131	10.267
Income from banking tariff		19.840	35.945	42.550	19.840	35.945	43.538
Personnel expenses	30i.	(64.343)	(130.902)	(137.582)	(64.467)	(131.168)	(137.688)
Taxes	30k.	(31.179)	(63.272)	(58.627)	(31.891)	(64.805)	(58.728)
Equity in earnings of subsidiaries	15.	5.551	11.959	5.364	-	-	-

Other administrative expenses	30j.	(57.918)	(109.368)	(113.722)	(60.170)	(113.664)	(116.480)
Other operating income	30g.	49.145	104.319	11.022	52.534	109.007	12.221
Other operating expenses	30h.	(83.897)	(137.454)	(126.809)	(84.605)	(137.486)	(112.552)
Operating result		222.197	472.490	401.335	225.219	476.056	396.863
Non operating result	30m.	4.311	4.296	1.257	4.235	4.198	1.033
Income before taxes		226.508	476.786	402.592	229.454	480.254	397.896
Income tax	29c.	(4.768)	(82.595)	(139.002)	(9.440)	(91.528)	(141.871)
Social contribuition	29c.	(986)	(45.715)	(69.271)	(2.553)	(48.369)	(70.125)
Tax credit	29c.	(36.494)	8.070	159.830	(33.235)	14.116	164.067
Statutory profit sharing		(22.295)	(36.269)	(29.436)	(22.295)	(36.269)	(29.436)
Net income		161.965	320.277	324.713	161.931	318.204	320.531
Number of shares paid in (thousand)	28.	260.466	260.466	268.957			
Net income per share - R$		0,62	1,23	1,21			

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Statements of changes in shareholders' equity

At December 31, 2009 and 2008

(In thousands of Reais)

				Revenue reserves		**Asset**		
	Note	**Capital**	**Tresuary share**	**Legal**	**Statutory**	**valuation adjustments**	**Retained earnings**	**Total**
Balances at January 1, 2008		1.434.206	-	9.097	119.045	1.053	-	1.563.401
Prior year adjustments		-	-	-	-	-	(6.945)	(6.945)
Capital increase in cash		-	-	-		-	-	-
Repurchase of shares		-	(64.409)	-	-	-	-	(64.409)
Capital increase in reserves		-		-				-
Cancelation of shares	28b.	-	57.958	-	(57.958)	-	-	-
Asset valuation adjustments		-	-	-	-	(1.053)	-	(1.053)
								-
Net income of the period		-	-	-	-	-	324.713	324.713
								-
Distribution of income:								
Intermediaries dividends	28c.	-	-	-	-	-	(31.000)	(31.000)
Interest on shareholder´s equity	28c.	-	-	-	-	-	(95.440)	(95.440)
Reserves	28d.	-	-	15.889	175.439	-	(191.328)	-

Balances at December 31, 2008		1.434.206	(6.451)	24.986	236.526	-	-	1.689.267
Changes in the period		-	(6.451)	15.889	117.481	(1.053)	-	125.866
Balances at January 1, 2009		1.434.206	(6.451)	24.986	236.526	-	-	1.689.267
Prior year dividend	28c.	-	-	-	(40.000)	-	-	(40.000)
Repurchase of shares		-	(70.096)	-	-	-	-	(70.096)
Capital increase in reserves								
Cancelation of shares	28b.	-	28.855	-	(28.855)	-	-	-
Adjustments to value -		-	-	-	-		-	-
Net income of the year		-	-	-	-	-	320.277	320.277
Distribution of income:								
Intermediaries dividends	28c.	-	-	-	-	-	(23.000)	(23.000)
Interest on shareholder´s equity	28c.	-	-	-	-	-	(108.000)	(108.000)
Reserves	28d.	-	-	16.014	173.263	-	(189.277)	-

Balances at December 31, 2009		1.434.206	(47.692)	41.000	340.934	-	-	1.768.448
Changes in the year		-	(41.241)	16.014	104.408	-	-	79.181
Balances at June 30, 2009		1.434.206	(24.940)	32.902	262.067	-	-	1.704.235
Prior Year Adjustments	28e	-	-	-	-	-	-	-
Repurchase of Shares	28b.	-	(22.752)	-	-	-	-	(22.752)
Cancelation of Shares	28b	-	-	-	-	-	-	-
Asset Valuation Adjustments		-	-	-	-	-	-	-
Net income of the period		-	-	-	-	-	161.965	161.965
Distribution of income:								
Intermediaries dividends	28c	-	-	-	-	-	(23.000)	(23.000)
Interest on shareholder´s equity	28c	-	-	-	-	-	(52.000)	(52.000)
Reserves	28d.	-	-	8.098	78.867	-	(86.965)	-
Balances at December 31, 2009		1.434.206	(47.692)	41.000	340.934	-	-	1.768.448
Changes in the period		-	(22.752)	8.098	78.867	-	-	64.213

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Statements of cash flows - Indirect method

At December 31, 2009 and 2008

(In thousands of Reais)

	BICBANCO			BICBANCO Consolidated		
	Semester 2009	**2009**	**2008**	**Semester 2009**	**2009**	**2008**
Cash flow of operating						
Net income	161.965	320.277	324.713	161.931	318.204	320.531
Adjustments to the net income	25.407	161.163	364.141	41.934	197.871	374.795
Provisions for loan losses	78.065	212.060	273.675	84.488	231.819	277.265
Depreciation and amortization	10.259	20.480	18.150	10.259	20.480	18.150
Provision & reversal of provisions	14.299	14.257	(162)	15.799	15.757	(182)
Civel, labor and fiscal provisions	(67.272)	(69.122)	79.109	(67.272)	(69.122)	80.339
Equity in earnings from subsidiaries	(5.551)	(11.959)	(5.364)	-	-	-
(Gain) Losses on sale of other investments	(3.183)	(3.183)	-	(3.183)	(3.183)	-
(Gain) Losses on sale of fixed assets	(9)	(32)	4	(9)	(32)	4
Earnings for selling assets not for own use	(1.201)	(1.338)	(1.271)	(1.126)	(1.235)	(781)
Others	-	-	-	2.978	3.387	-

Adjusted net income	187.372	481.440	688.854	203.865	516.075	695.326
(Increase) Decrease in interbank funds applied	(80.096)	(147.995)	64.906	(33.825)	(101.724)	64.906
Decrease in securities and derivative financial instruments	106.177	427.588	1.194.554	24.330	335.320	1.265.186
(Incrase) Decrease in interbank/interbranch accounts	(29.071)	26.300	200.982	(29.071)	26.300	200.982
Increase in lending and leasing operations	(1.521.848)	(844.407)	(462.651)	(1.570.915)	(884.250)	(828.774)
Decrease in deferred income	2.213	3.866	(11.145)	2.213	3.866	(11.145)
Increase in other assets	(123.632)	441.188	(630.920)	(131.590)	434.345	(664.048)
Increase in other liabilities	(86.143)	(591.692)	481.269	(104.454)	(603.109)	700.568
Prior year adjustments	-	-	(6.945)	-	-	(6.945)
Net cash provided by	(1.545.028)	(203.712)	1.518.904	(1.639.447)	(273.177)	1.416.056
Cash flow of investing activities						
Selling of assets not for own use	5.704	7.673	2.991	6.155	8.411	18.201
Selling of investments	3.186	3.186	11	3.186	3.196	11
Selling of fixed and lease assets	27	50	45	27	50	45
Investment in assets not for own use	(18.800)	(18.800)	(7.462)	(18.955)	(18.955)	(7.462)
Investments	(50.000)	(50.010)	(173)	-	(20)	(173)
Investment of fixed and Lease assets	(4.993)	(5.907)	(16.955)	(4.993)	(5.907)	(16.955)
Investment in intangbile assets	(1.583)	(1.634)	(995)	(1.583)	(1.634)	(995)
Investment in deferred assets	-	-	(29.673)	-	-	(29.673)

Net cash provided by (used in)	(66.459)	(65.442)	(52.211)	(16.163)	(14.859)	(37.001)
Cash flow of financing activities						
Increase (decrease) in deposits	1.570.130	1.323.931	52.267	1.607.134	1.367.377	31.838
Decrease in money market repurchase commitments	(44.822)	(10.064)	(1.329.468)	(48.625)	(11.214)	(1.334.420)
Increase (decrease) in issuing of securities	(267.843)	(490.668)	511.891	(258.131)	(514.091)	624.873
Increase in borrowings and onlending resources	223.193	(922.504)	969.607	223.193	(922.504)	969.607
Increase in	(21.443)	(69.314)	70.211	(21.443)	(69.314)	70.211
Dividends paid	(23.000)	(63.000)	(31.000)	(23.000)	(63.000)	(31.000)
Interest on own capital	(52.000)	(108.000)	(95.440)	(52.000)	(108.000)	(95.440)
Acquisition of own stocks	(22.752)	(70.096)	(64.409)	(22.752)	(70.096)	(64.409)
Net cash provided by (used in)	1.361.463	(409.715)	83.659	1.404.376	(390.842)	171.260
Statement of cash variations	(250.024)	(678.869)	1.550.352	(251.234)	(678.878)	1.550.315
Cash at the beginning of the period	1.389.974	1.818.819	268.467	1.391.251	1.818.895	268.580
Cash at the end of the period	1.139.950	1.139.950	1.818.819	1.140.017	1.140.017	1.818.895
(Increase) decrease in cash and equivalents	(250.024)	(678.869)	1.550.352	(251.234)	(678.878)	1.550.315

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Statements of value added

At December 31, 2009 and 2008

(In thousands of Reais)

	BICBANCO			BICBANCO Consolidated		
	2nd Semester 2009	2009	2008	2nd Semester 2009	2009	2008
Income	604.177	1.253.843	1.702.585	616.661	1.276.507	1.705.684
Financial intermediation	699.024	1.449.173	2.005.986	715.806	1.487.553	1.995.891
Fees for services rendered	25.697	47.147	52.481	26.115	48.076	53.805
Allowance for loan losses	(78.065)	(212.060)	(273.675)	(84.488)	(231.819)	(277.265)
Other	(42.479)	(30.417)	(82.207)	(40.772)	(27.303)	(66.747)
Financial intermediation expenses	241.818	487.052	963.103	243.615	489.638	962.341
Inputs acquired from third parties	1.257	41.901	88.521	2.338	44.296	90.872
Materials, energy and other	15.294	28.988	30.040	15.686	29.454	30.188
Outside services	26.401	47.825	53.960	28.118	51.323	56.209
Profit/Recovery assets value	(40.438)	(34.912)	4.521	(41.466)	(36.481)	4.475
Gross value added	361.102	724.890	650.961	370.708	742.573	652.471
Depreciation and amortization	10.259	20.480	18.150	10.259	20.480	18.150
Net value added produced by the	350.843	704.410	632.811	360.449	722.093	634.321
Value added received in transfer	5.567	11.991	5.399	16	46	191
Equity in earnings	5.551	11.959	5.364	-	-	-
Other	16	32	35	16	46	191
Value added to distribute	356.410	716.401	638.210	360.465	722.139	634.512
Value added to distribute	356.410	716.401	638.210	360.465	722.139	634.512
Personnel	76.185	146.624	145.565	76.286	146.842	145.654
Direct remuneration	66.582	126.611	125.119	66.657	126.770	125.185
Benefits	6.260	11.716	12.858	6.280	11.761	12.876
FGTS	3.343	8.297	7.588	3.349	8.311	7.593
Taxes,fees and contribuions	114.631	241.951	160.367	118.599	249.506	160.708

Federal	110.613	234.428	152.479	114.399	241.314	152.086
State	232	431	429	232	431	429
Municipal	3.786	7.092	7.459	3.968	7.761	8.193
Third-party capital compensation	3.629	7.549	7.565	3.649	7.587	7.619
Rentals	3.629	7.549	7.565	3.649	7.587	7.619
Shareholders' equity compesation	161.965	320.277	324.713	161.931	318.204	320.531
Interest on shareholder's equity	52.000	108.000	95.440	52.000	108.000	95.440
Dividends	23.000	23.000	31.000	23.000	23.000	31.000
Retained earnings	86.965	189.277	198.273	86.931	187.204	194.091

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO CONSOLIDATED

Notes to the financial statements

December 31, 2009 and 2008

(In thousands of Reais)

1 Operations

Banco Industrial e Comercial S.A. is a private owned publicly listed company, established on December 29, 1938, operating as a "Multiple Bank", with trade, investment, real estate, credit, financing and investment and foreign exchange portfolios.

The Bank's operations are undertaken within the context of a group of institutions that operates in an integrated manner in the financial market, with certain operations involving the participation or intermediation of associated institutions, members of the financial system, whose activities include lease portfolios, investment fund management, and foreign exchange and securities brokerage and distribution. The benefits of the services provided by these institutions and the costs of the operational and administrative structures are absorbed, depending on the practicability of attributing these costs to these institutions, either on a centralized basis or allocates to the individual companies.

2 Presentation of the financial statements

The Financial Statements of Banco Industrial e Comercial S.A. including the Overseas Branch, (BICBANCO) and the Consolidated Financial Statements of the Bank and its subsidiaries and the credit receivable investment funds - (BICBANCO CONSOLIDATED) - were prepared on the basis of the Brazilian Corporate Law 6404/76, amended by the Laws 11638/07 and 11941/09; the rules enacted from the National Monetary Council (CMN); the Brazilian Central Bank (Bacen) and the Brazilian Securities Exchange Commission (CVM).

Taking into consideration that, the control, the risks and benefits over receivables assigned to the "FIDCs" "Credit Receivables Investment Fund BICBANCO Crédito Consignado" and the "BICBANCO-Saúde Garantida - Credit Receivables Investment Fund", remains under the responsibility of the Bank (receipt, transfer and collection) and that it fulfills other conditions for consolidation established in Circular Official Letter CVM 01/07, the Management of the Bank consolidated the Financial Statements of the FIDCs to the Consolidated Financial Statements.

(In thousands of Reais)

The “FDIC - Consigned Personal Credit” was organized in March 2008 under the terms of the regulations in force, intended for qualified investors, with the characteristics of a closed-ended fund, originating from loan operations and with an indefinite term. BICBANCO subscribed to all the subordinated quotas in the amount of 50,475 quotas. The senior quotas amount to 150,000 quotas, totaling 200,475 quotas that comprise the fund.

The “BICBANCO-Saúde Garantida” was organized in July 2008 under the terms of the regulations in force, intended for qualified investors and investment funds organized as “CVM Instruction nº 409/04” with the characteristics of a closed-ended fund, originating from loan operations and with an indefinite term. BICBANCO subscribed to all the 8.073 subordinated quotas in the amount of 50,000 quotas, which added to the 31.985 quotas of the 200,000 senior quotas totals 40.058 quotas compounding the “BICBANCO-Saúde Garantida”.

In the individual Financial Statements of the Bank, the subordinated quotas are presented in non- current asset - “Securities and derivative financial instruments - Own portfolio”.

The non-audited consolidated financial position of the FIDCs was as follows:

	2009	2008
Assets		
Cash and cash equivalents	7	10
Federal Government Bonds	93,019	11,246
Credit receivables	190,013	269,469
(-) Provision for credit losses	(12,067)	(775)
Other receivables	498	2,675
Total assets	271,470	282,625
Liabilities		
Other liabilities	112	95
Shareholders’ equity	271,358	282,530
Senior quotas of BICBANCO´s FIDC	171,450	201,078
Subordinated quotas of BICBANCO´s FIDC	99,908	81,452
Total liabilities	271,470	282,625

3 Description of significant accounting practices

a. Statement of income

Income and expenses are recorded on an accrual basis.

b. *Accounting estimates*

The preparation of the Financial Statements in accordance with accounting practices adopted in Brazil requires that the Management use its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include: the allowance for doubtful loans, the technical studies to estimate the periods for tax credits realization, the assessment of liabilities and contingencies for its provisions, the losses for decline in the value of assets and the valuation of derivative financial instruments. The actual amounts required to settle these transactions may be different from the amounts estimated due to the lack of precision inherent in the estimation process. BICBANCO reviews the adequacy of the estimates and assumptions at a minimum, every three months.

c. *Currency of the financial statements, foreign currency*

The financial statements are presented in "Brazilian Reais" (R$), which is the BICBANCO´s functional currency.

The monetary assets and liabilities denominated in foreign currency have been converted into Brazilian Reais at the foreign exchange rate effective as of the date of the balance sheet, and the related exchange variations have been recognized in the results for the year. The assets and liabilities concerning the branch located abroad have been converted into Brazilian Reais at the foreign exchange rate effective as of the date of the balance sheet.

d. Cash and cash equivalents

Cash and cash equivalents corresponds to the sum of liquid assets in local or foreign currency, open-market investments, inter-bank investment deposits and own portfolio of securities, generally those with maturity equal or under 90 days, with insignificant losses, if any, in the process to be turned into cash, used by the Bank in the management of its short term liabilities.

e. Current and non-current assets

e.1 Interbank funds applied

These are recorded at cost including accrued income until the balance date.

e.2 Securities and derivative financial instruments

Securities

According to the Brazilian Central Bank rules (Circular 3068/01), the classification and evaluation of securities are defined as follows:

- **Trading securities** - Securities acquired for the purpose of being actively and frequently traded are adjusted to their market value, with the corresponding entry recorded to the income statement for the period.

- **Securities available for sale** - Securities that are not available for trading or held to maturity are adjusted to their market value with unrealized gains and losses are recorded in a separate account in shareholders' equity, net of any tax effects.

- **Securities held to maturity** - Securities acquired and held with the intention and financial ability to be held by the institution as part of its portfolio until their maturity date which are evaluated at acquisition cost, plus income earned. Interest income is recorded in the income statement.

Derivative financial instruments

Derivative financial instruments are generally valued based on their fair values, with unrealized gains and losses recorded in income for the period. In situations where the derivative financial instruments, under the terms of Brazilian Central Bank Circular 3082/02, are classified as cash flow hedges, the unrealized gains and losses are either totally or partially recorded to a specific account in shareholders' equity, net of tax effects. Market value adjustments are not recognized in the accounting records when the derivative financial instruments are contracted in connection with funding or investment operations, under the terms of Brazilian Central Bank Circular 3.150/02.

e.3 Credit operations and allowance for credit losses

Credit operations are classified in nine different risk levels (from AA through H), taking into consideration factors such as the value of the loans, existing guarantees, characteristics of the clients, the extent to which the loans are overdue, market conditions, past experience and specific and overall risks of the portfolio, according to the methods stated in Resolution 2682/99 of CMN (the Brazilian National Monetary Council) and Bacen (the Brazilian Central Bank). The ratings are assigned initially when the loan is made and thereafter are reevaluated on a monthly basis if a loan is in arrears. Revenues from loans overdue up to 60 days are accrued as "loan income". As from the 61st day, such revenues are recorded as "unearned income".

Overdue loans classified as "H" are retained in this category for six months. After that, they are written-off as losses.

The allowance for credit losses is calculated taking into consideration the classification of the loan in one of nine different risk levels. The allowance is increased by new provisions and recoveries of loans previously charged off, and is reduced by charge-offs and reversals of provisions. The CMN (National Monetary Council) rules specify a minimum allowance for loans losses and other extensions of loans in each rating category ranging from 0% in the case of a loan that is not in arrears, to 100% in the case of any loan that is more than 180 days in arrears - (Note 9c).

e.4 Other current and non current assets

They are presented by the net value of realization.

f. Permanent assets

f.1 In the individual financial statement, investments in subsidiaries are valued using the equity method.

f.2 Fixed assets, stated at cost, are depreciated using the straight line method based on annual rates that take into consideration the useful lives of the assets, as follows: property - 4%, fixtures, fittings, communication systems and facilities - 10%, data processing system and vehicles - 20%.

f.3 Intangible assets comprise “Software”, stated at cost, amortized by linear method and taking into consideration the useful lives of the assets of 20%.

f.4 The “Deferred Assets” comprises investment and systems acquisition and development, incurred until December 31, 2008, and benefits on third parties’ real estate, with annual amortization rate of 20% or by the term of the contracts, if it is under five years.

g. Current and non-current liabilities

Stated at contractual or estimated amounts, including, when applicable, charges and monetary variation (on a daily pro rata basis) and foreign exchange variation.

Income tax and social contribution are recorded in “Other liabilities - Tax and social security contributions” calculated on the book income adjusted by additions and exclusions, at the rate of 15%, plus a surcharge of 10% above a determined li1mit for income tax and at the rate of 9% until April 2008 and of 15% for the period as of May 2008, on the income before income tax for social contribution. The deferred Income Tax and Social contribution calculated based on the income ratios at the balance sheet date, and are registered in the account “other receivable - others”.

(In thousands of Reais)

h. *Contingencies and legal obligations*

The recognition, measurement and disclosure of contingent asset and liabilities contingencies and legal obligations is performed in accordance with criteria defined by the Securities and Exchange Commission of Brazil (CVM) Deliberation 489/05.

- **Contingent assets** - Are not recognized on-balance, except when there is a favorable judicial decision, for which no appeals are permitted, characterizing the probability of the contingent asset realization as practically certain. Contingent assets with a likely success of realization are disclosed in a note to the Financial Statements (note 24).

- **Contingent liabilities** - Are recognized on-balance when the opinion of legal advisors is that the chance of loss is probable. Cases where the likelihood of loss is considered possible are disclosed in a note to the Financial Statements (note 24).

- **Legal obligations** - Are recognized on-balance regardless of the evaluation of the loss probability during the course of the judicial proceeding.

i. *Consolidated financial statements*

The Consolidated Financial Statements include the FDICs and the subsidiaries below listed and were prepared in accordance with Law 6404/76 and amendments of Law 11638/07 and 11941/09. The consolidation complies with principles from CVM Instruction 247 which require Leasing operations to be recorded using the financial method, with reclassification of "Fixed Assets for Leasing Operations" to "Lease Operations" account, deducted of the "anticipated residual value". Equity balances and results between subsidiary companies were eliminated upon consolidation.

Investment - 2009 and 2008	**%**
BIC Arrendamento Mercantil S.A.	100
BIC Distribuidora de Títulos e Valores Mobiliários S.A.	100
BIC Informática S.A.	100
BIC Administradora de Cartões de Crédito S/C Ltda.	100

(In thousands of Reais)

j. Reconciliation of net income and shareholders' equity of BICBANCO and BICBANCO CONSOLIDATED

BICBANCO and BICBANCO CONSOLIDATED	**2009**	**2008**
Fiscal year net income of BICBANCO	320,277	324,713
Elimination of results on Credit Assignment to FDIC	(9,620)	(27,596)
Elimination of expenses and tax on assignment to FDIC	5,715	20,586
Earnings from FDIC in the period (*)	1,832	2,828
Fiscal year net income of BICBANCO-CONSOLIDATED	318,204	320,531

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Fiscal year shareholders' equity of BICBANCO	1,768,448	1,689,267
Elimination of results from Credit Assignment to FDIC	(9,620)	(27,596)
Elimination of expenses and tax on assignment to FDIC	5,715	20,586
Net equity of assignments - adjustments (*)	47	-
Earnings of FDIC in the period (*)	1,832	2,828
Fiscal year consolidated shareholders' equity	1,766,422	1,685,085

(*) Accrued according the terms of contracts, in the BICIBANCO CONSOLIDATED, net of tax effects.

(In thousands of Reais)

4 Cash and cash equivalents and Interbank funds applied

a. Cash and cash equivalents

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Cash and cash equivalents	1,416	1,291	1,461	1,329
Foreign currency investments, abroad (*)	243,848	198,815	243,869	198,854
Total	245,264	200,106	245,330	200,183

(*) Of which, the amount of R$ 222,783 (2008 - R$ 179,961) is revenue generating at an average interest rate of 0.23% p.a. (2008 - 1.94% p.a.).

b. Open market

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Up to 30 days	50,000	717,217
From 31 to 90 days	3,699	-
From 91 to 360 days	-	190,000
Over 360 days (*)	834,354	600,185
Total	888,053	1,507,402

(In thousands of Reais)

c. *Interbank deposits*

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Up to 30 days	6,118	13,721	6,118	13,721
From 31 to 90 days	17,514	16,843	17,514	16,843
From 91 to 360 days	80,758	13,081	34,487	13,081
Over 360 days	2,441	-	2,441	-
Over 360 days (*)	110,481	42,295	110,481	42,295
Total	217,312	85,940	171,041	85,940

(*) Refers to Interbank deposits for coverage of credit risk with long term swaps, linked to securities issued abroad.

d. *Foreign currency*

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Up to 30 days	-	61,464
From 31 to 90 days	515	27,106
Total	515	88,570

(In thousands of Reais)

5 Securities

a. The Bank's policy

The securities are valued, as to their distribution, upon acquisition and the portfolio formed is valued at every semi-annual balance sheet. BICBANCO has the intention and the financial capacity to hold the securities classified as "held to maturity" until their maturity dates.

b. Composition of securities by type and category

	BICBANCO CONSOLIDATED							BICBANCO
	No maturity	Up to 90 days	90 to 360 days	Over 360 days	Total book value	Accrued cost value	Market value	Total book value
Securities for trading								
Own portfolio								
Financial Treasury Bills	-	-	6,933	125,186	132,119	132,126	132,119	39,100
National Treasury Bills	-	-	-	34,552	34,552	34,588	34,552	34,552
National Treasury Notes-B	-	-	15,994	-	15,994	15,568	15,994	15,994
National Treasury Notes-C	-	-	-	20	20	18	20	20
National Treasury Notes-F	-	52,424	-	-	52,424	52,420	52,424	52,424
Debentures	-	-	-	-	-	-	-	21,471
Variable income portfolio	23,753	-	-	-	23,753	23,053	23,753	23,753
Eurobonds	-	-	-	9,595	9,595	9,595	9,595	9,595
Subject to repurchase commitments								
Financial Treasury Bills	-	-	-	14,575	14,575	14,575	14,575	14,575
Subject to guarantees (*)								
Financial Treasury Bills	-	-	10,728	47,504	58,232	58,230	58,232	58,232
National Treasury Bills	-	-	-	33,531	33,531	33,565	33,531	33,531
National Treasury Notes-B	-	-	3,276	-	3,276	3,189	3,276	3,276
Subject to Central Bank								
Financial Treasury Bills	-	-	50,421	-	50,421	50,778	50,421	-
Securities held to maturity								
Own portfolio								
FIDC - Quotas	-	-	-	-	-	-	-	99,908
Eurobonds	-	-	18,787	-	18,787	18,787	18,787	18,787
Total in 2009	23,753	52,424	106,139	264,963	447,279	446,492	447,279	425,218
Total in 2008	9,797	22,966	76,982	259,347	369,092	374,279	369,092	439,298

(In thousands of Reais)

(*) R$ 72.530 (2008 - R$ 75.100), out of R$ 95.039 (2008 - R$ 126.530) in operations linked to guarantees, refer to deposits of margin in transactions derivative financial instruments, as note 6.b-5.

The government securities are recorded in the Selic (Special System for Settlement and Custody) of the Brazilian Central Bank, and the corporate bonds in the CETIP (Clearing House for the Custody and Settlement of Securities). Shares are recorded in the CBLC (Brazilian Company for Settlement and Custody). Eurobonds are recorded in Centrale de Livraison de Valeurs Mobilieres - Luxembourg (CEDEL) and the FIDCs quotas, are controlled by the Fund Administrator.

The market value of government securities were calculated on the basis of quotations available on the secondary market, published by the "Associação Brasiliera das Entidades dos Mercados Financeiros e de Capitais" (ANBIMA). The shares that comprise the variable income portfolio were adjusted based on the average negotiated quotation on the last business day, or in the absence of such, on the last quotation available in the stock exchange. The remaining securities were valued at BM&FBOVESPA market rates; the investment funds by the value of quotas released by the administrator.

c. *Composition of securities by indexer*

	BICBANCO CONSOLIDATED 2009					
	Fixed rate	**Dollar**	**Selic**	**IPCA**	**Others**	**Total**
Shares	-	-	-	-	23,753	23,753
Eurobonds	-	28,382	-	-	-	28,382
Financial Treasury Bills	-	-	255,347	-	-	255,347
National Treasury Bills	68,083	-	-	-	-	68,083
National Treasury Notes (NTN-B)	-	-	-	19,270	-	19,270
National Treasury Notes (NTN-C)	-	-	-	-	20	20
National Treasury Notes (NTN-F)	52,424	-	-	-	-	52,424
Total	120,507	28,382	255,347	19,270	23,773	447,279

(In thousands of Reais)

	BICBANCO CONSOLIDATED 2008						
	Fixed rate	**Dollar**	**Selic**	**CDI**	**IPCA**	**Others**	**Total**
Shares	-	-	-	-	-	9,797	9,797
Deposit Certificates	6,723	-	-	-	-	-	6,723
Debentures	-	-	-	2,446	-	-	2,446
Eurobonds	-	25,189	-	-	-	-	25,189
Financial Treasury Bills	-	-	147,702	-	-	-	147,702
National Treasury Bills	4,997	-	-	-	-	-	4,997
National Treasury Notes (NTN-B)	-	-	-		17,818	-	17,818
National Treasury Notes (NTN-C)	-	-	-	-	-	19	19
National Treasury Notes (NTN-F)	154,401	-	-	-	-	-	154,401
Total	166,121	25,189	147,702	2,446	17,818	9,816	369,092

d. *Repurchase/resale commitments - own portfolio*

"Repo" transactions are recorded in the individual financial statements by the amount of R$ 14,575 (2008 - R$ 1,800) in the assets and by R$ 14,551 (2008 - R$ 1,798) as liabilities. The net result of these operations was negative of R$ 415 (2008 - R$ 485). In BICBANCO CONSOLIDATED the net profit was R$ 195.

6 Derivative financial instruments portfolio

a. *Financial instruments - "CVM Instruction nº 475/08 and Deliberation 550/08"*

The accounting value of the financial instruments registered or not in the balance sheet is close to that which could be obtained by negotiation in the market, or in its absence, it is near to the present value of adjusted cash flow by the interest rate prevailing in the market.

(In thousands of Reais)

The market values estimated as of December 31, 2009 were determined using information available to the public and the usual pricing methodology: valuation of the face value up to the maturity date, less futures market rates at present value, published in the bulletins of the Futures and Commodities Exchange - BM&F BOVESPA, or other market sources. These estimates for the fair value presented do not necessarily indicate the amounts that the Institution and its subsidiaries could realize on the market. The amounts found through the use of different hypothetical cases, or valuation methodologies, may differ from the amounts of fair value estimated herein taking into consideration the need of a significant portion of judgment in the interpretation of the market information and its liquidity.

The principal financial instruments as above referred are as follows:

	BICBANCO 2009		**BICBANCO CONSOLIDATED 2009**	
	Book value	**Market value**	**Book value**	**Market value**
Assets				
Securities	425,218	425,218	447,279	447,279
Loans and lease operations	8,698,222	9,943,946	9,119,168	10,085,575
Liabilities				
Interbank deposits	513,029	603,225	513,029	603,225
Time deposits	4,943,328	5,337,892	4,918,156	5,312,719
Derivatives (net)	169,388	167,642	169,388	167,642
Securities issued abroad	519,648	558,333	519,648	558,333
Debentures	-	-	88,717	101,291
Subordinated debt	216,411	264,263	216,411	264,263

(In thousands of Reais)

	BICBANCO 2008		BICBANCO CONSOLIDATED 2008	
	Book value	**Market value**	**Book value**	**Market value**
Assets				
Securities	439,298	442,432	369,092	372,225
Derivatives - (net value)	244,121	239,114	244,121	239,114
Loans and lease operations	7,673,417	7,760,683	8,066,420	8,150,982
Liabilities				
Interbank deposits	338,044	338,889	338,044	338,889
Time deposits	3,884,686	3,973,925	3,816,299	3,905,538
Securities issued abroad	1,010,317	1,193,507	1,010,317	1,193,507
Debentures	-	-	112,140	115,894
Subordinated debt	285,725	295,312	285,725	295,312

The market value of Loans, Interbank Deposits and “pre-fixed” Time Deposits were calculated in accordance with the market interest rate published by “BM&FBOVESPA” (the Brazilian Futures and Commodities Exchange), based on the discount at market interest rate and its cash flow.

The market value of “Securities issued abroad and Subordinated debt” were calculated in accordance with the market interest rate published by “BM&FBOVESPA” (the Brazilian Futures and Commodities Exchange), based on the discount at market interest rate and its cash flow.

b. Derivatives

b.1 The adopted policy for the use of derivates

The Bank performs traditional derivative operations, which aim at meeting the clients' needs, as well as at executing its risk management policy as a way to minimize the risks arising from commercial and financial operations. The derivative instruments traded are acquired for two basic functions:

- **Hedge** - for the realization of hedge of structural portfolio;

- **Trading -** as an instrument to contract own portfolio and of derivatives risk management traded with clients which aim at managing market risks arising basically from floating interest rates, exchange rate and asset prices.

Most of contracts are negotiated with clients in Brazil are swap transactions and futures market, all registered at BM&FBOVESPA or CETIP. The "DI Future" contracts and dollar BM&FBovespa are mainly used to lock the financing rates to customers by maturity or currency mismatches with the resources used for this purpose. Abroad, transactions are carried out with derivatives contracts NDF (Non Deliverable Forward) in order to hedge the foreign funding.

BICBANCO enters into Swap and NDF operations in order to "hedge" its securities issued abroad, (subordinated debts), which are recorded in compliance with Circular 3150 of "BACEN". The book value at the date of balance sheets, shows a "differential to pay" of R$ 152,513 (2008 - R$ 27,940) with corresponding "market value - differential to pay" of R$ 154,259 (2008 - R$ 32,947).

b.2 Risk management

BICBANCO operates with derivative financial instruments as a part of the range of products offered to its clients and to meet its own necessity related to the management of market risks which arise, basically, due to the normal mismatches between currencies, interest rates, indices and terms of its asset and liability operations. The derivative financial instruments represent future commitments to swap currency or index, or to purchase and sell financial assets on dates and terms previously established in contract.

BICBANCO adopts the policy of minimizing exposure to market risks consistent with its main business operation, which is the granting of loans. Risk management is performed directly by the top management through instruments previously tested and evaluated.

The strategy of exchange risk management for the capital invested abroad has the purpose of avoiding impacts on the income deriving from exchange variation. In order to fulfill this purpose, the exchange risk is neutralized and the investments are remunerated in reais through the use of derivative financial instruments.

b.3 Strategies and parameters used for risk management for each market operation strategy

The main risk factors of the derivatives contracted on December 31, 2008 are related to exchange rate, interest rate, dollar and variable income coupon, which aim to maximize the return-risk ratio, even in circumstances of high volatility. The risk management control of the portfolios is performed through the use of systems, such as: VaR, Profitability and Liquidity Risk.

b.4 Criteria for valuation and measurement, methods and assumptions used in the determination of the market value.

Normally the prices quoted at the stock exchange are the best ones to give a parameter of the Market Fair Value of the Financial Instruments. However, not all instruments present liquidity or even quotations, fact which requires the adoption of estimates at present value and other pricing techniques. To obtain these market values the following criteria are adopted:

- Futures and Forward: quotations on stock exchanges;

- Swap: the cash flow of each of its parties is discounted at present value, according to the corresponding interest curves, which are obtained based on BM&FBOVESPA or market prices of government bonds for local operations (in Brazil), and based on the price of the overseas stock exchanges for the operations performed abroad;

- Options: statistical models that incorporate the behavior of the price of the asset, purpose of the contract, interest, the price of exercising and the spot price of the good.

b.5 Recording of the amounts

The balances deriving from these operations are recorded in memorandum and equity accounts, in accordance with the specific rules issued by the Central Bank of Brazil.

In terms of accounting, the derivative instruments are classified, according to the management's intention in the use of them as a hedge or not, in accordance with the Bacen Circular 3082 of January 30, 2002 and its amendments. The operations which use financial instruments, performed as per the request of clients, or those which do not comply with the hedge criteria (mainly derivatives used to manage the overall risk exposure), are recorded at the market value, including the gains and losses realized and non realized, recognized directly in the statement of income. The results of the referred transactions are stated at note 30.c.

(In thousands of Reais)

Operations outstanding at December 31, 2009 were as follows:

	Differential receivable	Differential payable	Reference value - Net position for contracts maturing within 3 months	Reference value -Net position for contracts maturing between 3and 12 months	Reference value - Net position for contracts maturing after more than 12 months	Reference value -Net position of contracts - Total
Swap contracts						
Interbank market	1,370	136,683	8,996	156,389	412,432	577,817
Foreign currency	7,672	16	(8,996)	(152,389)	(367,432)	(528,817)
Extended National Consumer Price Index (IPCA)	213	-	-	(4,000)	(35,000)	(39,000)
General Market Price Index (IGPM)	-	901	-	-	(10,000)	(10,000)
Subtotal	9,255	136,600	-	-	-	-
Market value adjustment	(166)	1,609				
Total	9,089	138,209	-	-	-	-
Forward for selling - NDF	2	40,239	(1,000)	(390,680)	-	(391,680)
Forward for buying - NDF	-	31	100	-	-	100
Subtotal	2	40,269	-	-	-	-
Total	9,091	178,479	-	-	-	-
Future contracts						
Buy - Interbank market	-	-	19,989	-	379,940	399,929
Buy - IND	-	-	11,415	-	-	11,415
Buy - DDI	-	-	-	97,348	1,680	99,028
Buy - foreign currency	-	-	85,754	-	-	85,754
Sell - foreign currency	-	-	(106,091)	-	-	(106,091)
Sell - DDI	-	-	(79,781)	-	-	(79,781)

(In thousands of Reais)

Operations outstanding at December 31, 2008 were as follows:

	Differential receivable	Differential payable	Reference value - Net position for contracts maturing within 3 months	Reference value - Net position for contracts maturing between 3 and 12 months	Reference value - Net position for contracts maturing after more than 12 months	Reference value - Net position of contracts - Total
Swap contracts						
Interbank market	22	47,139	(20,875)	(309,201)	(504,049)	(834,125)
Foreign currency	98,716	-	20,875	309,201	524,049	854,125
Extended National Consumer Price Index (IPCA)	25	-	-	10,000	-	10,000
General Market Price Index (IGPM)	864	1,756	-	(10,000)	(20,000)	(30,000)
Subtotal	99,627	48,895	-	-	-	-
Market value adjustment	(13,721)	(1,335)	-	-	-	-
Total	85,906	47,560	-	-	-	-
Forward for selling - NDF	182,651	4,703	(437,544)	(92,788)	(524,362)	(1,054,694)
Forward for buying - NDF	27,827	-	29,750	25,818	100	55,668
Subtotal	210,478	4,703	-	-	-	-
Total	296,384	52,263	-	-	-	-
Future contracts						
Buy - Interbank market	-	-	59,939	48,493	148,894	257,326
Buy - IND	-	-	9,554	-	-	9,554
Sell - foreign currency	-	-	185,988	-	-	185,988
Sell - DDI	-	-	(95,463)	(62,950)	-	(158,413)

The swap operations are registered in the Futures and Commodities Exchange (BM&FBOVESPA) and in the Clearing House for the Custody and Settlement of Securities (CETIP). The operations performed in the future market are registered in the Futures and Commodities Exchange (BM&FBOVESPA).

(In thousands of Reais)

The amount of guarantees given for transactions involving derivative financial instruments has the following composition:

		BICBANCO and BICBANCO CONSOLIDATED			
		2009		2008	
Paper	**Due date**	**Book Value**	**Market Value**	**Book Value**	**Market Value**
Financial Treasury Bills - LFT	Dec/16/2009	-	-	18,075	18,075
Financial Treasury Bills - LFT	Jun/07/2010	9,269	9,269	4,621	4,621
Financial Treasury Bills - LFT	Nov/21/2011	12,293	12,293	-	-
Financial Treasury Bills - LFT	Mar/07/2012	14,161	14,161	-	-
National treasury Bills - NTN-B	Aug/15/2010	3,276	3,276	-	-
National treasury Bills - NTN-F	Jan/01/2010	-	-	52,404	52,404
National Treasury Bills - LTN	Jul/01/2011	33,531	33,531	52,404	52,404
Total		72,530	72,530	75,100	75,100

b.6 Sensitiveness - Qualitative and quantitative information on the derivative financial instruments

The “Sensitiveness Analysis Chart” presents operations involving financial instruments registered in the Bank’s equity accounts, maintained for the administration and hedge of its market risk exposure, especially in times breaking of the historical standards. This assessment is systematically executed by the risk management area of the Bank and is monitored by the Treasury Committee, which defines certain scenarios (assumed as a price and interest rate combination), within a crisis environment.

(In thousands of Reais)

For the elaboration of this chart, the following presumptions were assumed:

i. the values of the trading portfolio (Trading Book) and of the transactions from the business lines of the Bank as well as its relevant Hedges (Banking Book), were calculated for each one of the three scenarios;

ii. for each one of the risk factors, the largest possibility of losses was chosen and, on this value, a defined "increase or decrease" hypothesis was applied;

iii. Finally, the losses corresponding to each pertinent scenario were obtained.

The defined scenarios can bring extreme situations, distant from the usual business environment. Follows a summary of the scenarios:

Trading Portfolio		Risk Factor Assumptions			
	Prefixed rate in R$	USD Coupon	USD Spot	Shares and Indexes	Inflation
Scenario 1	+ 1000 basis points	+ 1000 basis points	10% increase	10% decrease	10% increase
Scenario 2	+ 2500 basis points	+ 2500 basis points	25% increase	25% decrease	25% increase
Scenario 3	+ 5000 basis points	+ 5000 basis points	50% increase	50% decrease	50% increase

Banking Portfolio		Risk Factor Assumptions			
	Prefixed rate in R$	USD Coupon	USD Spot	Shares and Indexes	Inflation
Scenario 1	- 1000 basis points	- 1000 basis points	10% decrease	10% decrease	10% decrease
Scenario 2	- 2500 basis points	- 2500 basis points	25% decrease	25% decrease	25% decrease
Scenario 3	- 5000 basis points	- 5000 basis points	50% decrease	50% decrease	50% decrease

The scenarios presented in the table reflect a decline in the macroeconomic expectations: interest rates (prefixed and exchange coupon) increase sharply (10%, 25% and 50%), the exchange rate suffers a devaluation, the Brazilian Stock Exchange goes down and inflation rates rise, facts which reflect on the indices and indexed contracts. The tendency that was chosen (increase or decrease) was the one that maximizes the loss for each risk factor. The parallel movements of the curves were kept the same, i.e., a movement of more than 1000 basic points means that in the entire future curve there was an accrual of 10% to the rates in force.

The specific combination of prices that configure each scenario is based on an arbitrary decision; although plausible, neither the signals of the historical correlations between the assets were necessarily complied with, nor the scenarios chosen were seen in the past.

The first scenario corresponds to a shock of 1000 basis points on the coupon curves of foreign currencies plus a shock of 10% on the demand positions of currencies and stock exchange, in addition to a shock of 1000 basis points on the volatility surface of currencies used for the pricing of options.

The second scenario corresponds to a shock of 2500 basis points on the coupon curves of foreign currencies plus a shock of 25% on the demand positions of currencies and stock exchange, in addition to a shock of 2500 basis points on the volatility surface of currencies used for the pricing of options.

The third scenario correspond to a shock of 5000 basis points on the coupon curves of foreign currencies plus a shock of 50% on the demand positions of currencies and stock exchange, in addition to a shock of 5000 basic points on the volatility surface of currencies used for the pricing of options.

(In thousands of Reais)

The results deriving from the losses calculated in the scenarios for the “Trading and Banking portfolios”, are shown in the chart below:

Trading portoflio Results for the Risk Factors			Thd R$
Risk Factor	**Scenario 1**	**Scenario 2**	**Scenario 3**
USD and USD Cupom	(2,907)	(7,277)	(14,583)
Prefixed rate in R$	(4,585)	(11,293)	(22,042)
Shares and Indexes	(2,254)	(5,636)	(11,272)
Inflation	(52)	(130)	(258)
Total Loss	(9,798)	(24,336)	(48,155)

Banking portoflio Results for the Risk Factors			Thd R$
Risk Factor	**Scenario 1**	**Scenario 2**	**Scenario 3**
USD and USD Cupom	(40,182)	(98,810)	(191,749)
Prefixed rate in R$	(27,830)	(67,334)	(127,769)
Shares and Indexes	-	-	-
Inflation	(187)	(469)	(939)
Total Loss	(68,199)	(166,613)	(320,457)

The risk factors presented are the following:

- **USD Coupon** - It includes all products that present price variations pegged to variations of the US dollar and of the interest rate in dollars.

- **Other currencies coupon** - It comprises all products that present price variations pegged to the variations of any currencies other than the US dollar and interest rate in dollars.

- **Prefixed rate in reais** - It includes all products that present price variations pegged to the interest rate variations denominated in Reais.

- **Shares and indexes -** They comprise shares and indexes of stock exchanges, shares and options pegged to share indexes.

- **Inflation -** It refers to all products whose price variation is pegged to the variations in inflation coupons and inflation indexes.

For the calculation purposes the assumptions of a confidence interval of 99% for the VaR calculation and a timeframe of 10 days to exit the position were adopted.

The “Sensitiveness Analysis Chart” comprises certain limitation. The economic impact on an occasional interest rate fluctuation could not necessarily represent a material accounting gain or loss for the institution, given the differences between the accounting methods for the “Banking Portfolio”, mostly registered “by the curve of prices”, and the “Derivative Financial Instruments”, which oscillate by market prices.

(In thousands of Reais)

7 Interbank accounts - Deposits at the Central Bank

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Deposits of Resources to Rural Credit	3,311	-
Compulsory Deposits on demand deposits	86,938	15,865
Compulsory Deposits on saving deposits (*)	2,999	100,538
Micro-finance destination of resources	2,557	1,866
Total	95,805	118,269

(*) For revenues generated, see note nº 30g.

8 Loans

a. Diversification by type of operation

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Working capital and discounts (*)	5,316,998	4,355,845	5,352,079	4,395,667
Secured accounts	934,575	873,735	934,575	873,735
Consigned personal credit (*)	110,366	149,283	265,298	378,930
Personal/consumer credit	27,775	82,164	27,775	82,164
Consigned personal - Assigned operations	674	5,948	674	5,948
Compror	15,446	50,470	15,446	50,470
Corporate Checks	44,243	72,817	44,243	72,817
BNDES repasses	661	6,470	661	6,470
Import financing	374,619	581,041	374,619	581,041
Export financing	544,409	734,003	544,409	734,003
Rural and agro-industrial financing	140,837	12,718	140,837	12,718
Real estate and housing	4,882	5,808	4,882	5,808
Resolution 2770 - repasses	63,048	61,655	63,048	61,655
Vendor	11,089	9,193	11,089	9,193

(In thousands of Reais)

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Others	186,386	53,341	186,386	53,341
Loans	7,776,008	7,054,491	7,966,021	7,323,960
Guarantees and Sureties Honored	2,000	-	2,000	-
Debtors through purchase of assets	2,276	3,292	4,317	11,007
Notes and credits receivable	12,764	3,411	12,764	3,411
Advances on export contracts (**)	905,848	618,171	905,848	618,171
Other receivables	922,888	624,874	924,929	632,589
Leases	-	-	228,892	115,819
Subtotal	8,698,896	7,679,365	9,119,842	8,072,368
(-) Assigned operations with co-obligation	(674)	(5,948)	(674)	(5,948)
Total	8,698,222	7,673,417	9,119,168	8,066,420

(In thousands of Reais)

(*) BICBANCO CONSOLIDATED includes loans ceded to the BICBANCO´s FIDC in Working Capital and discounts in the amount of R$ 35,081 (2008 - R$ 39,822) and Consigned Personal Credit in the amount of R$ 154,932 (2008 - R$ 229,647) totaling R$ 190,013 (2008 - R$ 268,469).

(**) The "Advances on Export Contracts - ACC" are recorded in "Other liabilities - Foreign exchange portfolio" added with income receivable on advances granted that is recorded in "Other receivables - Foreign exchange portfolio". For purposes of presentation in this note, both amounts have been presented as "Other receivables".

b. *Diversification by activity*

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Public sector	238,233	273,776	238,233	273,776
State Government	235,290	217,728	235,290	217,728
Federal Government	2,019	44,474	2,019	44,474
Municipal Government	924	11,574	924	11,574
Private sector	8,233,430	7,399,640	8,498,885	7,792,644
Agribusiness	155,706	140,573	156,544	141,023
Industry	4,117,774	3,892,584	4,171,305	3,930,891
Sugar and alcohol refinery	768,597	871,985	782,702	875,905
Builders, Contractors & Undertakers	767,191	494,892	791,449	494,892
Slaughterhouses and meat industry	378,298	287,977	378,397	287,977
Production of flour, pasta, cakes and biscuits	321,286	295,475	324,609	296,542
Real estate developers	294,911	269,911	294,949	294,370
Metallurgical & Mechanical Production	260,514	249,086	262,634	251,332
Chemical and petrochemical industry	185,475	147,054	185,637	147,128
Manufacture of vehicles, body parts and others	166,123	253,325	166,902	253,396
Production of pipes and metalwork	152,763	172,569	153,549	173,649
Building material industry	132,128	100,368	132,958	100,540
Production of manures, fertilizers, Insecticides	85,624	161,257	85,624	161,257
Production of threads and fabrics	81,189	109,105	81,667	109,661
Production of electric and electronic goods	80,228	73,972	80,394	73,972
Tobacco industry	80,146	68,417	80,146	68,417
Vegetal and mineral extraction	52,671	32,124	55,644	35,921
Pulp and paper manufacturing	47,558	38,067	47,558	38,067

(In thousands of Reais)

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Plastic packaging manufacturing	33,722	50,656	33,758	50,656
Clothing industry	31,448	26,271	31,619	26,488
Graphic arts services	28,484	31,161	29,869	31,554
Beverage industry in general	27,972	27,273	28,163	27,273
Production of footwear and leather goods	26,458	22,610	26,458	22,610
Furniture manufacturing	17,621	29,655	18,562	29,655
Toys manufacturing	3,917	8,482	3,917	8,482
Other	93,450	70,892	94,140	71,147
Commerce	1,082,675	809,296	1,114,353	811,836
Supermarkets and wholesalers	272,948	89,685	277,742	89,685
Commerce of electric and electronic products	124,894	34,349	130,216	34,823
Vehicle dealerships and sale yards	114,344	140,573	115,990	140,573
Commerce of other chemical products	87,138	83,913	87,319	83,913
Commerce of medicines	75,867	73,375	75,867	73,375
Commerce of agriculture products	75,336	86,363	75,537	86,363
Trading Companies	50,296	36,023	51,141	37,428
Commerce of Metallurgical Products	49,116	-	49,116	-
Commerce of clothing and fabrics	36,958	52,393	36,958	52,393
Commerce of petroleum derivatives	33,117	24,461	42,676	24,816
Commerce of books, magazines and newspapers	21,945	15,293	21,945	15,293
Commerce of building material	21,808	13,892	23,502	14,132
Commerce of machinery and equipments	18,638	46,307	23,937	46,307
Import/export of agricult. Products & foodstuffs	8,424	15,899	8,455	15,965
Commerce of furniture and items for decoration	4,934	10,538	4,934	10,538
Commerce of haberdashery in general	2,383	1,197	2,383	1,197
Commerce of footwear and leather goods	259	472	259	472
Others	84,270	84,563	86,377	84,563
Financial intermediation	51,493	96,833	52,429	96,833
Other services	2,825,782	2,202,228	3,004,253	2,323,691
Technical and professional services	394,889	305,190	401,987	309,493
Medical and dental services	382,052	364,631	418,171	404,767
Passenger and cargo transportation	345,093	260,585	425,302	295,986
Repairing, maintenance and installation services	207,253	119,114	207,253	119,114
Education	184,434	157,679	190,091	158,121
Services of public utility	141,837	50,276	142,389	50,621
Cooperatives of production	134,318	54,231	134,318	54,231

(In thousands of Reais)

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Renting in general	129,474	112,365	154,146	138,748
Sports Associations	125,195	100,097	125,896	100,953
Distribution of power	115,494	115,343	115,494	115,343
Holdings in general	107,182	130,535	107,862	133,107
Communication and entertainment services	66,889	47,976	68,210	47,976
Unions and Associations	58,991	46,044	59,483	46,044
Accommodation services	44,802	37,099	44,975	37,099
Data processing services	38,387	-	38,387	-
Cleaning, preservation and surveillance services	33,166	21,239	34,898	23,229
Telecommunication Services	16,137	3,037	16,137	3,037
Metallurgical Services	15,465	20,021	20,024	20,472
Cards Administration	7,366	4,442	7,366	4,442
Administration of Consortiums	6,214	-	6,214	-
Storage services	4,297	2,280	5,484	3,680
Factoring companies	3,311	1,041	3,311	1,041
Others	263,536	249,004	276,855	256,187
Individuals	226,559	258,126	382,050	488,370
Total	8,698,222	7,673,417	9,119,168	8,066,420

(In thousands of Reais)

c. *Diversification by term*

	BICBANCO				BICBANCO CONSOLIDATED			
	2009	%	2008	%	2009	%	2008	%
Public sector								
Due within 3 months	27,716	0,32	53,771	0,70	27,716	0,30	53,771	0,67
Due from 3 to 12 months	69,680	0,80	93,487	1,22	69,680	0,76	93,487	1,16
Due over 1 year	140,837	1,62	126,519	1,65	140,837	1,54	126,519	1,57
Private sector								
Due within 3 months	2,995,727	34,44	3,583,025	46,69	3,052,545	33,48	3,633,767	45,05
Due from 3 to 12 months	3,355,960	38,58	2,454,454	31,99	3,500,535	38,39	2,580,876	32,00
Due over 1 year	1,955,491	22,48	1,236,320	16,11	2,167,403	23,77	1,451,935	18,00
Overdue (from 15 days on)	152,811	1,76	125,841	1,64	160,452	1,76	126,065	1,55
Total	8,698,222	100,00	7,673,417	100,00	9,119,168	100,00	8,066,420	100,00

d. *Diversification by indexer*

Type of operation	BICBANCO CONSOLIDATED 2009					
	Prefixed	CDI	TR/TBF	Dollar	Others (*)	Total
Loans	1,829,028	5,699,945	8,413	1,332,690	1,119	8,871,195
Leasing	48,853	180,039	-	-	-	228,892
Others	11,399	145	4,126	3,411	-	19,081
Total	1,889,280	5,880,129	12,539	1,336,101	1,119	9,119,168

Type of operation	BICBANCO CONSOLIDATED 2008					
	Prefixed	CDI	TR/TBF	Dollar	Others (*)	Total
Loans	1,430,460	5,173,933	12,097	1,266,140	53,553	7,936,183
Leasing	13,946	101,873	-	-	-	115,819
Others	589	7,715	2,703	3,411	-	14,418
Total	1,444,995	5,283,521	14,800	1,269,551	53,553	8,066,420

(*) Consists mainly of transactions subject to indexation with TJLP, UMBNDES and IGPM.

(In thousands of Reais)

e. Geographic distribution

	BICBANCO CONSOLIDATED			
	2009		2008	
	R$	%	R$	%
Northeastern region	1,901,880	20,86	1,606,509	19,92
Southeastern region	4,173,258	45,76	3,685,932	45,69
Center-western region	1,246,295	13,67	1,089,399	13,51
Southern region	1,571,931	17,24	1,359,081	16,85
Abroad	225,804	2,47	325,499	4,03
Total	9,119,168	100,00	8,066,420	100,00

f. Risk concentration level

	BICBANCO CONSOLIDATED			
	2009		2008	
	R$	%	R$	%
Largest debtor	133,929	1,47	172,153	2,13
10 largest debtors	750,386	8,23	788,836	9,78
20 largest debtors	1,207,254	13,24	1,207,172	14,97
50 largest debtors	2,201,749	24,14	2,079,539	25,78
100 largest debtors	3,297,919	36,16	3,057,016	37,90
Largest economic group debtor	143,571	1,57	172,153	2,13

(In thousands of Reais)

g. *Distribution of terms by portfolio*

g.1 Maturities of the trade portfolio

	BICBANCO CONSOLIDATED			
	2009		2008	
	R$	%	R$	%
Up to 3 months	2,463,922	35,05	2,537,478	44,10
3 months to 1 year	2,494,408	35,49	1,846,000	32,08
More than 1 year	1,944,934	27,67	1,294,852	22,50
Overdue (from 15 days on)	125,730	1,79	75,944	1,32
Total	7,028,994	100,00	5,754,274	100,00

g.2 Maturities of trade finance

	BICBANCO CONSOLIDATED			
	2009		2008	
	R$	%	R$	%
Up to 3 months	583,870	32,00	1,102,279	57,02
3 months to 1 year	993,110	54,42	712,848	36,87
More than 1 year	224,557	12,31	80,792	4,18
Overdue (from 15 days on)	23,339	1,27	37,297	1,93
Total	1,824,876	100,00	1,933,216	100,00

(In thousands of Reais)

g.3 Maturities of consigned personal credit

	BICBANCO CONSOLIDATED			
	2009		2008	
	R$	%	R$	%
Up to 3 months	32,469	12,24	47,781	12,62
3 months to 1 year	82,697	31,17	115,515	30,48
More than 1 year	138,749	52,30	202,810	53,52
Overdue (from 15 days on)	11,383	4,29	12,824	3,38
Total	265,298	100,00	378,930	100,00

h. Credit assignment

h.1 Interbank credit assignment

During the year, there were no assignments of credit of any type to financial institutions.

h.2 Credit assignment to the FDIC

During the fiscal year the Bank made credit assignments without recourse of loans of its portfolio, as follows:

- Loans of the type "consigned credit" to Fundo de Investimento em Direitos Creditorios BICBANCO Credito Consignado (FDIC) in the amount of R$ 75,525 (2008 - R$ 362,889) resulting in gains of R$ 2,442 (2008 - R$ 5,716) net of origination fees and tax impacts (explan. note 3-j).

- Loans of the type "working capital" to "Fundo de Investimento em Direitos Creditorios BICBANCO-Saúde Garantida" in the amount of R$ 47,674 (2008 - R$ 47,263) resulting in gains of R$ 1,463 (2008 - R$ 1,294) net of tax effects (note 3-j). The results obtained from assignments are included in BICBANCO and reverted in BICBANCO CONSOLIDATED.

(In thousands of Reais)

i. Lease operations

The value of leasing transactions is presented at their current value, as determined pursuant to the internal rate of return set under each contract. Pursuant to the applicable Central Bank rules, these amounts are presented in several line items in the balance sheet, as follows:

	BICBANCO CONSOLIDATED	
	2009	**2008**
Lease receivables	194,382	100,456
Unearned lease income	(193,005)	(99,747)
Leased goods	266,986	135,177
Depreciation surplus	62,279	21,962
Depreciation of leased goods	(67,255)	(26,801)
Losses to amortize of lease operations	477	701
Anticipated Residual Value	(35,308)	(15,930)
Present value of Lease contracts	228,556	115,818

9 Allowance for loan losses

a. Movement of the allowance

	BICBANCO		**BICBANCO CONSOLIDATED**	
	2009	**2008**	**2009**	**2008**
Opening balance	307,081	133,143	310,860	133,332
Net increase	212,060	273,675	231,819	277,265
Write-offs	(117,615)	(99,737)	(123,843)	(99,737)
Closing balance	401,526	307,081	418,836	310,860
Written-off credit, recovery	37,741	25,859	37,786	25,871
Renegotiated loans	185,654	47,401	185,654	47,401
% of allowance for loans and leases	4,62	4,11	4,59	3,85

(In thousands of Reais)

b. *Composition of the allowance by type of operation*

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Working capital and discounts	212,111	155,724	212,111	155,724
Secured accounts	26,656	31,961	26,656	31,961
Consigned personal credit	9,780	24,181	21,847	24,956
Personal credit	1,139	1,192	1,139	1,192
Consigned personal credit/assigned operations	16	509	16	509
Compror	661	984	661	984
Corporate check	2,147	4,959	2,147	4,959
BNDES repasses	2	93	2	93
Import financing	6,758	2,477	6,758	2,477
Export financing	29,114	16,498	29,114	16,498
Rural and agro-industrial financing	1,080	681	1,080	681
Housing & Real Estate	1,018	1,199	1,018	1,199
Resolution 2770 - Repasses	348	121	348	121
Vendor	55	84	55	84
Others	74,512	23,893	74,512	23,893
Loans	365,397	264,556	377,464	265,331
Guarantees and Sureties Honored	1,400	-	1,400	-
Debtors for buying assets	41	330	69	1,024
Bills and other receivables	5,252	307	5,252	307
Advances on exchange contracts	29,452	42,397	29,452	42,397
Other receivables	36,145	43,034	36,173	43,728
Leases	-	-	5,215	2,310
Subtotal	401,542	307,590	418,852	311,369
(-) Credit assignment with co-obligation	(16)	(509)	(16)	(509)
Total	401,526	307,081	418,836	310,860

(In thousands of Reais)

c. *Composition of the provision per risk level*

		BICBANCO					
		2009			2008		
Risk level	**% Provision**	**Calculation basis**	**Provision**	**%**	**Calculation basis**	**Provision**	**%**
AA	0.0	360,904	-	4,15	794,373	-	10,35
A	0.5	3,942,069	19,710	45,32	3,416,655	17,091	44,53
B	1.0	2,704,993	27,050	31,10	2,452,620	24,526	31,96
C	3.0	959,027	28,771	11,03	632,200	56,901	8,24
D	10.0	218,654	21,865	2,51	158,805	46,067	2,07
E	30.0	139,814	41,944	1,61	38,264	18,761	0,50
F	50.0	158,512	79,256	1,82	118,671	81,906	1,55
G	70.0	104,397	73,078	1,20	7,763	7,763	0,10
H	100.0	109,852	109,852	1,26	54,066	54,066	0,70
Total		8,698,222	401,526	100,00	7,673,417	307,081	100,00

		BICBANCO CONSOLIDATED					
		2009			2008		
Risk level	**% Provision**	**Calculation basis**	**Provision**	**%**	**Calculation basis**	**Provision**	**%**
AA	0.0	525,825	-	5,77	1,035,885	-	12,84
A	0.5	4,001,704	20,009	43,88	3,457,466	17,287	42,86
B	1.0	2,810,202	28,102	30,82	2,543,132	25,431	31,53
C	3.0	1,028,519	30,856	11,28	650,645	58,558	8,07
D	10.0	222,863	22,286	2,44	159,359	46,214	1,98
E	30.0	142,172	42,652	1,56	38,538	18,884	0,48
F	50.0	162,522	81,261	1,78	118,793	81,967	1,47
G	70.0	105,634	73,943	1,16	8,293	8,210	0,10
H	100.0	119,727	119,727	1,31	54,309	54,309	0,67
Total		9,119,168	418,836	100,00	8,066,420	310,860	100,00

(In thousands of Reais)

10 Foreign exchange portfolio

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	2008
Assets		
Foreign exchange purchased to settle	943,894	1,268,443
Foreign currency advances received	(354)	-
Bills of exchange in foreign currency	31,465	248,761
Rights from sale of foreign exchange	(23,573)	(17,136)
Advances received in local currency	22,449	27,900
Income receivable on advances of foreign exchange contracts	39	-
Total	973,920	1,527,968
Liabilities		
Foreign exchange sold to settle	31,283	247,553
Financed imports - Contracted foreign exchange	(1,237)	(12,954)
Liabilities from foreign exchange purchases	988,246	987,362
Advances on foreign exchange contracts	(883,399)	(590,272)
Foreign currency liabilities	215	217
Unearned income on conceded advances	1	1
Total	135,109	631,907

11 Other receivables - Other

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	2008	2009	2008
Salary advances and prepayments	982	1,416	982	1,416
Advances for payments	1,638	27	1,638	27
Deferred tax credits (Note 29a)	308,117	299,033	318,915	303,786
Debtors from the purchase of assets	2,276	3,292	4,317	11,007
Debtors from guaranteed deposits	64,588	36,045	64,796	36,253
Income tax to compensate & recover	86,602	50,128	90,581	52,479
Payments to compensate	7,282	6,401	7,325	6,401
Accounts receivable	33,212	33,611	52,092	45,178
Sundry domestic debtors	87,595	51,853	87,596	51,853
Total	592,292	481,806	628,242	508,400

(In thousands of Reais)

12 Other assets

a. Assets not for own use

Mainly represented by assets received in settlement of loans as follows:

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Property	40,667	17,901
Vehicles and similar	711	1,702
Machinery and equipment	514	2,476
Others	1,182	4,552
Subtotal	43,074	26,631
Provision for other assets	(12,793)	(13,027)
Total	30,281	13,604

b. Prepayments

Substantially refer to prepaid commissions to third parties for financial intermediation services of consigned loans, accrued "pro rata tempore" during the term of the contracts (fully written-off in the case of the assignments).

(In thousands of Reais)

13 Fixed assets for use

a. *Fixed assets for own use*

	BICBANCO and BICBANCO CONSOLIDATED						
	Depreciation rate %	Cost		Accumulated depreciation		Net value	
		2009	2008	2009	2008	2009	2008
Land	-	4,230	4,230	-	-	4,230	4,230
Buildings	4	51,924	48,084	(19,371)	(17,496)	32,553	30,588
Machinery and equipment for use	10	11,878	11,448	(6,292)	(5,488)	5,586	5,960
Data processing system	20	12,628	11,987	(10,150)	(9,233)	2,478	2,754
Transport systems	20	4,386	3,783	(2,574)	(2,038)	1,812	1,745
Communication system	10	1,247	1,036	(717)	(646)	530	390
Security System	10	762	698	(318)	(255)	444	443
Total		87,055	81,266	(39,422)	(35,156)	47,633	46,110

b. *Intangible assets*

b.1 Intangible assets

The Intangible Assets have defined useful life and are composed of:

	BICBANCO and BICBANCO CONSOLIDATED						
	Amortization rate %	Cost		Accumulated amortization		Net amount	
		2009	2008	2009	2008	2009	2008
Software (*)	20	2,629	995	(331)	(17)	2,298	978
Total		2,629	995	(331)	(17)	2,298	978

(*) Software purchased and/or developed by specialized firms.

(In thousands of Reais)

b.2 Movement of intangible assets

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Software		
Opening balance	978	-
Addition	1,634	995
Amortization	(314)	(17)
Final balance	2,298	978

c. ***Deferred assets***

	BICBANCO and BICBANCO CONSOLIDATED						
	Amortization rate %	**Cost**		**Accumulated amortization**		**Accumulated amortization**	
		2009	**2008**	**2009**	**2008**	**2009**	**2008**
Leasehold improvements	20	59,711	59,712	(37,829)	(25,666)	21,882	34,046
Software's acquisition (*)	Sunders	9,541	9,541	(9,203)	(8,853)	338	688
Branches improvements expenses	20	16,332	16,700	(9,083)	(6,164)	7,249	10,536
Total		85,584	85,953	(56,115)	(40,683)	29,469	45,270

(*) Classified as "Intangible Assets", in compliance with Carta-Circular #3.357 of Bacen (the Brazilian Central Bank).

(In thousands of Reais)

14 Overseas branch

At the balance sheet date, the operations conducted in the Cayman Islands branch presented: net equity of R$ 70,330 (2008 - R$ 73,538) and total assets of R$ 1,244,210 (2008 - R$ 1,882,796). The balances were converted into Reais at the US dollar exchange rate informed by the Brazilian Central Bank.

15 Domestic subsidiaries

a. The main information on the Bank's subsidiaries is presented below:

		2009					2008
Company name	**Number of shares/ quotas held**	**Investment percentage**	**Shareholders' equity**	**Net income for the period**	**Equity pick up**	**Book value of investments**	**Book value of investments**
BIC Arrendamento Mercantil S.A. (*)	98,000,000	100	128,660	10,832	10,832	128,660	67,828
BIC Distribuidora de Títulos e Valores Mobiliários	7,500,000	100	12,782	691	691	12,782	12,092
BIC Informática S.A.	50,000	100	623	108	108	623	514
BIC Adm. Cartão Créd. S/C Ltda.	3,570,000	100	3,453	328	328	3,453	3,125
Total					11,959	145,518	83,559

(*) Includes capital increase in the amount of R$ 50,000 totaling R$ 98,000 approved in the General Meeting held on November 16, 2009, pending of approval by the Brazilian Central Bank.

(In thousands of Reais)

16 Related party transactions

a. Balance sheet highlights of the related parties

	Bic Distribuidora	Bic Arrendamento	Others	Total 2009
Total assets	13,592	307,814	25,828	347,234
Current and non-current assets	13,592	307,814	25,828	347,234
Cash and cash equivalents	21	283	79	383
Interbank Investment	-	6,102	-	6,102
Securities and derivative financial instruments	13,388	55,613	6,592	75,593
Leasing operations	-	223,674	-	223,674
Other receivables	183	21,809	19,157	41,149
Deferred Expenses	-	333	-	333
Total liabilities	13,592	307,814	25,828	347,234
Current and non-current liabilities	810	179,154	21,753	201,717
Interbank Deposits	-	46,271	-	46,271
Debentures issued	-	110,188	-	110,188
Other liabilities	810	22,695	21,753	45,258
Shareholders’ equity	12,091	117,828	3,639	133,558
Net income of the period	691	10,832	436	11,959

(In thousands of Reais)

	Bic Distribuidora	Bic Arrendamento	Others	Total 2008
Total assets	12,874	190,074	19,344	222,292
Current and non-current assets	12,874	190,073	19,344	222,291
Cash and cash equivalents	20	510	91	621
Interbank Investment	-	4,952	-	4,952
Securities and derivative financial instruments	12,700	48,246	7,441	68,387
Leasing operations	-	113,508	-	113,508
Other receivables	154	21,981	11,812	33,947
Deferred expenses	-	877	-	877
Total liabilities	12,874	190,074	19,344	222,292
Current and non-current liabilities	782	122,246	15,705	138,733
Debentures issued	-	112,982	-	112,982
Other liabilities	782	9,264	15,705	25,751
Shareholders' equity	11,244	64,131	2,820	78,195
Net income of the period	848	3,697	819	5,364

(In thousands of Reais)

b. *Related party transactions*

The Bank and its subsidiaries undertake transactions among themselves, which were eliminated in the consolidation process. Transactions among the Group companies or with third parties are performed under normal market conditions. The balances from operations between Banco Industrial and Comercial S.A. with direct subsidiaries, indirect and key personnel of the administration are presented below:

	Assets (liabilities)		Revenues (expenses)	
	2009	**2008**	**2009**	**2008**
Interbank deposits	46,271	752	900	127
Bic Arrendamento Mercantil S/A (a)	46,271	752	900	127
Demand deposits	(2,319)	(839)	-	-
Bic Distribuidora de Títulos e Valores Mobiliários S/A (a)	(21)	(20)	-	-
Bic Arrendamento Mercantil S/A (a)	(283)	(510)	-	-
Bic Informática Ltda.(a)	(1)	(1)	-	-
Bic Administradora de Cartões de Crédito S/C Ltda. (a)	(17)	-	-	-
Bic Corretora de Câmbio e Valores S/A (a)	(96)	(22)	-	-
Fenix Securitizadora de Créditos Financeiros Ltda. (b)	(35)	(113)	-	-
Golden Key Participações e Empreendimentos Ltda. (b)	(54)	(92)	-	-
Gemini Holding S/A (c)	(26)	(45)	-	-
Primus Holding S/A (c)	(272)	(20)	-	-
Controladores e pessoal chave da Administração (c)	(1,514)	(16)	-	-
Saving deposits	(28)	(730)	(1)	(6)
Bic Administradora de Cartões de Crédito S/C Ltda. (a)	-	(24)	-	(1)
Controladores e pessoal chave da Administração (c)	(28)	(706)	(1)	(5)
Time deposits	(72,435)	(89,598)	(10,799)	(9,455)
Bic Distribuidora de Títulos e Valores Mobiliários S/A (a)	(13,388)	(12,700)	(1,320)	(1,513)

(In thousands of Reais)

	Assets (liabilities)		Revenues (expenses)	
	2009	**2008**	**2009**	**2008**
Bic Arrendamento Mercantil S/A (a)	(5,193)	(48,246)	(3,750)	(1,730)
Bic Informática Ltda. (a)	(462)	(444)	(142)	(756)
Bic Corretora de Câmbio e Valores S/A (a)	(3,718)	(2,240)	(179)	(843)
Bic Administradora de Cartões de Crédito S/C Ltda. (a)	(6,129)	(6,997)	(510)	(34)
Fenix Securitizadora de Créditos Financeiros Ltda. (b)	(277)	-	(8)	-
Golden Key Participações e Empreendimentos Ltda. (b)	(6,326)	-	(736)	-
Gemini Holding S/A (c)	(1,221)	(874)	(194)	(289)
Primus Holding S/A (c)	(1,830)	(754)	(153)	(1)
Controladores e pessoal chave da Administração (c)	(33,891)	(17,343)	(3,807)	(4,289)
'Repo' transactions	(6,102)	(4,951)	(750)	(3,366)
Bic Arrendamento Mercantil S/A (a)	(6,102)	(4,951)	(750)	(3,366)
Debêntures	21,471	-	2,663	-
Bic Arrendamento Mercantil S/A (a)	21,471	-	2,663	-

(a) Direct - Subsidiaries
(b) Indirect - Subsidiaries
(c) Control and Management of Key Personnel

(In thousands of Reais)

c. *Remuneration for the management's key staff - Consolidated*

The maximum aggregated remuneration as well as the statutory profit sharing for the Board of Directors and the Executive Board are established at the Annual General Meeting. On March 23, 2009 the maximum remuneration aggregated amount was established at R$ 20,000 for 2009. Increases are made by the managers and ratified at the General Meeting, which deliberates on the accounts of the year.

c.1 Short-term benefits - Board of Directors and Executive Board

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Fixed remuneration	7.798	7,441
Variable remuneration	36.131	32,589
Other	1.403	1,557
Total	45.332	41,857

c.2 Retirement benefits - BICBANCO does not offer post-benefit benefits or long-term ones for the key personnel of the Administration.

c.3 Long-term benefits - BICBANCO does not offer long-term, employment termination benefits to its key personnel of the Administration.

c.4 Other information **-** In accordance with the legislation in force, financial institutions cannot grant loans or advances to:

- Directors and members of consulting or administrative, tax and similar boards, nor to their respective spouses and relatives up to the 2nd. Degree; - Individuals or Legal Entities that hold interest in its capital, of more than 10%; - Legal entities of whose capital the financial institution itself, any directors or managers of the institution, as well as their respective spouses and relatives up to 2nd. Degree, hold interest, of more than 10%;

(In thousands of Reais)

- Accordingly, loans and financings to any subsidiary, members of Board of Directors or of the Executive Board and their relatives are not performed by the financial institutions.

c.5 Corporate interest - The members of the Board of Directors and of the Executive Board hold jointly the following corporate interest as of December 31, 2009 and 2008:

	2009		
Participation	**Direct**	**Indirect**	**Total**
Common stocks	34,70%	57,93%	92,63%
Preferred stocks	20,02%	3,44%	23,46%
Total			66,01%

	2008		
Participation	**Direct**	**Indirect**	**Total**
Common stocks	35,03%	57,93%	92,96%
Preferred stocks	18,93%	3,17%	22,11%
Total			64,31%

17 Deposits

a. Composition per type of client

	BICBANCO CONSOLIDATED					
	2009					
	Demand deposits (**)	**Time deposits (*)**	**Interbank deposits**	**Saving deposits**	**Others**	**Total**
Legal entities	352,053	3,109,246	-	2,004	162	3,463,465
Individuals	14,626	695,353	-	9,801	14	719,794
Financial institutions	1,626	40,257	513,029	-	-	554,912
Institutional investors	-	1,073,300	-	-	-	1,073,300
Total	368,305	4,918,156	513,029	11,805	176	5,811,471

(In thousands of Reais)

(*) An amount of R$ 38,577 is performed under the regulations of Resolution nº3.692 of the Bacen, with special guarantee of "FGC-DPGE".

(**) Including operations transferred from savings deposits to demand deposits, due to the suspension of automatic applications of balances daily available.

	BICBANCO CONSOLIDATED					
	2008					
	Demand deposits	Time deposits	Interbank deposits	Saving deposits	Others	Total
Legal entities	106,020	2,593,926	-	157,259	3,864	2,861,069
Individuals	3,807	722,420	-	18,387	-	744,614
Financial institutions	413	34,007	338,044	-	-	372,464
Institutional investors	-	465,946	-	-	-	465,946
Total	110,240	3,816,299	338,044	175,646	3,864	4,444,093

b. *Diversification per term*

	BICBANCO CONSOLIDATED					
	2009					
	Demand deposits	Time deposits (*)	Interbank deposits	Saving deposits	Others	Total
No due date	368,305	-	-	11,805	176	380,286
Up to 3 months	-	959,381	284,960	-	-	1,244,341
3 months to 1 year	-	1,846,865	210,230	-	-	2,057,095
1 to 3 years	-	1,828,685	17,839	-	-	1,846,524
3 to 5 years	-	31,441	-	-	-	31,441
5 to 15 years	-	251,737	-	-	-	251,737
Over 15 years	-	47	-	-	-	47
Total	368,305	4,918,156	513,029	11,805	176	5,811,471

(*) Of with the amount of R$ 995,716 in time deposits with guaranteed liquidity is registered in the Clearing House for Custody and Settlement (CETIP), and classified as current liability in the balance sheet.

(In thousands of Reais)

	BICBANCO CONSOLIDATED					
	2008					
	Demand deposits	Time deposits (*)	Interbank deposits	Saving deposits	Others	Total
No due date	110,240	-	-	175,646	3,864	289,750
Up to 3 months	-	1,002,103	219,878	-	-	1,221,981
3 months to 1 year	-	867,242	106,595	-	-	973,837
1 to 3 years	-	1,859,280	11,571	-	-	1,870,851
3 to 5 years	-	87,631	-	-	-	87,631
Over 15 years	-	43	-	-	-	43
Total	110,240	3,816,299	338,044	175,646	3,864	4,444,093

(*) The amount of R$ 801,341 in time deposits with guaranteed liquidity is registered in the Clearing House for Custody and Settlement (CETIP), and classified as current liability in the balance sheet.

c. *Number of depositors*

	BICBANCO CONSOLIDATED	
	2009	2008
Demand deposits (active accounts)	6,643	3,366
Saving deposits (*)	1,227	5,057
Time deposits	2,712	2,749
Investment Funds	203	346

(*) See footnote of explanatory note nº 17.a

(In thousands of Reais)

d. Concentration of main depositors - Time deposits

	BICBANCO CONSOLIDATED			
	2009		2008	
	R$	%	R$	%
The largest depositor	248,314	5,05	349,864	9,17
10 largest depositors	1,016,900	20,68	758,486	19,87
20 largest depositors	1,471,293	29,92	1,067,122	27,96
50 largest depositors	2,178,238	44,29	1,603,611	42,02
100 largest depositors	2,780,541	56,54	2,059,972	53,98

18 Money market repurchase commitments

Represented by repurchase commitments for fixed price titles for settlement on January 04, 2010, backed by LFT (Financial Treasury Bills) maturing between December 2011 and July 2012.

19 Foreign debt securities

Represented by the issuance of securities in the international market for on lending, with charges due at the average rate of 7.16% p.a. (2008 - 8.03% p.a.), and whose maturities are as follows:

	BICBANCO CONSOLIDATED			
	2009		2008	
	R$	%	R$	%
Up to 3 months	96,541	18,58	45,929	4,55
From 3 to 12 months	290,031	55,81	426,436	42,21
From 1 to 3 years	84,226	16,21	455,837	45,12
From 3 to 5 years	-	-	82,115	8,12
From 5 to 15 years	48,850	9,40	-	-
Total	519,648	100,00	1,010,317	100,00

(In thousands of Reais)

20 Funds from debentures

On July 1st., 2008 the company BIC Arrendamento Mercantil S/A, a fully owned subsidiary of BICBANCO S/A, issued 10.500 (ten thousand and five hundred) simple debentures, non-convertible into shares, nominative, indentured, subordinated, in the single series “LBIC13”, related to the company’s 3rd. issuing, in the amount of R$ 105,000, with due date on July 1st, 2010, with charges at 115% on CDI rate with semi annual amortization, registered as “CVM/SRE/DEB-2008/021” on July 18th, 2008 at CVM (the Brazilian Exchange Commission).

The book value at December was as follows:

	2009	**2008**
Issued quantity	10,500	10,500
Present value (R$)	10,494077	10,760152
Net book value	110,188	112,140
(-) Operations with Parent Company	(21,471)	-
Total	88,717	112,140

The amount of R$ 6,462 in interests were amortized in July 2009.

21 Foreign currency borrowings and “on-lending”

Refers to the raising of funds for import and export financing, on which fixed charges are due at the average rate of 2.73% p.a. (2008 - 4.98% p.a.). The transaction subject to “Hedge” in the amount of US$ 190.000 was adjusted to market value, in compliance with Circular #3.082 of Bacen (the Brazilian Central Bank), reducing the amount in R$ 3,229 (2008 - R$ 23,781).

(In thousands of Reais)

The maturities are distributed as follows:

	BICBANCO CONSOLIDATED			
	2009		2008	
	R$	%	R$	%
Up to 3 months	321,246	17,64	973,028	35,17
3 months to 1 year	1,048,269	57,57	1,022,775	36,97
1 to 3 years	451,365	24,79	724,262	26,18
3 to 5 years	-	-	46,497	1,68
Total	1,820,880	100,00	2,766,562	100,00

22 On-lending borrowings

Resources for on-lending gathered from the National Economic and Social Development Bank - BNDES, maturing up to 2012 and resources from the Brazilian Agriculture Ministry, under FUNCAFE line of credit, maturing up to 2011.

23 Other liabilities - Tax and social security contributions

	BICBANCO		BICBANCO Consolidated	
	2009	2008	2009	2008
Taxes and contributions payable	139,616	221,102	143,812	223,281
Provision for deferred income	-	-	15,570	5,491
Provisions for tax liabilities (*)	212,767	275,276	216,618	277,790
Total	352,384	496,378	376,000	506,562

(*)Refer to legal and contingent liabilities, as stated in note 24.

24 Contingent assets and liabilities and legal obligations

BICBANCO and its subsidiaries are parties to legal and/or administrative proceedings arising from the normal course of operations, involving civil, labor, tax and social security issues.

a. Contingent assets

BICBANCO and its subsidiaries are parties at 'administrative proceedings', with the "Federal Finance and Fiscal Secretariat" of Brazil with regard to certain tax and fiscal pending. However, there are judicial proceedings with the prospect of probable success, the most relevant of which are below described:

a.1 COFINS (Contribution for the Funding of Social Welfare Programs) - R$ 87,158 (2008 - R$ 82,561) pleads the refund of the amounts paid from November 2000 to October 2005, which exceeded the calculation made on the basis of Complementary Law 7/70, in view of the unconstitutionality of the expansion of the calculation basis determined in Law 9718/98.

a.2 PIS (Contribution to the Social Integration Program) - R$ 16,314 (2008 - R$ 15,468) pleads the refund of amounts paid from November 2000 to October 2005, which exceeded the calculation made on the basis of Complementary Law 7/70, in view of the unconstitutionality of the expansion of the calculation basis determined in Law 9718/98.

On December 16, 2008 the Bank obtained a favorable decision enacted from the High Court of Justice, in judgment *"transited in res-judicata"* in March 2009, which pleaded the refund of the amounts paid for PIS on the basis of Decree-laws 2445/88 and 2,449/88, which exceeded the calculation made on the basis of Complementary Law 7/70, in view of the unconstitutionality of the enlargement of the calculation basis. Based on experts calculations, the Bank accounted R$ 50,385 in assets, having recorded "other operating revenues" as contra entry.

b. Liabilities of a civil, labor and tax nature

Based on information from its legal advisors, analysis of pending legal proceedings, and previous experience with regards to amounts claimed, management recorded provisions for amounts considered sufficient to cover probable losses from the lawsuits in progress, as follows:

c. Legal obligations and contingent liabilities

The legal obligations and contingent liabilities classified as probable losses are entirely provided for. The most relevant issues are:

c.1 CSLL (Social Contribution on Net Profits) Isonomy - Pleads to suspend the imposition of CSLL required from financial institutions from 1995 to 1998, due to the application of rates that are higher than those applied to other legal entities, in view of the non-observance of the constitutional principal of isonomy.

c.2 COFINS - Law 9718/98 - Pleads the payment of the contribution, as of November 2005, on the basis of the calculation stipulated by Complementary Law 7/70, in view of the unconstitutionality of the expansion of the calculation basis determined in Law 9718/98.

c.3 PIS - Law 9718 - Pleads the payment of the contribution, as of November 2005, on the basis of the calculation of Complementary Law 7/70, in view of the unconstitutionality of the expansion of the calculation basis determined in Law 9718/98.

As procedures and criteria determined by Law 1194/2009, regulated by "Portaria Conjunta" PGFN/RFB nº 6/2009, which deals with "Tax Amnesty", part of the legal accruals related to liabilities accrued to November 30, 2008, BICBANCO opted for payment in cash of some of the tax liabilities, originating a positive accounting effect net of taxes of R$ 53,300 in 2009, of which R$ 13,599 in September 2009 and R$ 39,701 in November 2009, related to debts below described:

I CSLL x Isonomy (1995 to 1998) Pleads to suspend the demand of CSLL, of the basis periods of 1995 to 1998 charged from financial institutions by a bigger ratio than that used for the other segments or industries, in the name of the Constitutional right of isonomy.

II IRPJ e CSLL - Tax notice issued by the fiscal authorities under allegation of non-pertinence of tax credits used to compensate fiscal liabilities such as Income tax and Social Contribution on Profits (CSLL). The Bank runs on legal actions to recover of the assessment.

The Bank´s management continues analyzing other fiscal liabilities in order to evaluate the convenience of withdrawing administrative and judicial questioning for inclusion in “Fiscal Amnesty”, as granted by the Law 11941/09.

d. Contingencies

d.1 Tax and social proceedings

The contingent liabilities classified as possible losses are monitored by the institution and are based on the opinions of its legal advisors in relation to each judicial and administrative proceeding. Therefore, following the current rules, the contingencies classified as possible losses are not recognized in the accounts, and mainly refer to the following issues:

- **IOF (Tax on Financial Transactions) - R$ 36,764** (2008 - R$ 35,860) - A tax deficiency notice was issued by fiscal authorities for alleged irregularity in the use of tax rate for the payment of “IOF” on Advance to Rural Credit Note (CCC). A Writ of Mandamus was filed to annul the tax deficiency notice, and an injunction was granted that is currently in force.

- **PDD/95 - Voluntary Revelation - Unenforceability of the Late Payment Fine - R$ 5,849** (2008 - R$ 5,737). A Tax Deficiency Notice was entered on the grounds that the late payment fine is enforceable on a spontaneous payment made and duly communicated through voluntary revelation.

d.2 Labor processes

The labor processes assessed by the legal advisors as being probable risks were fully provided for and total **R$ 9,096** (2008 - R$ 10,189). BICBANCO is party to 65 processes, for which the claimed indemnifications total **R$ 6,609** (2008 - R$ 2,221), classified as ‘possible risks’ and no provision was recorded, according to the Brazilian accounting practices. According to the estimate of the legal advisors, the maximum amount of indemnification for these processes is **R$ 6,609** (2008 - R$ 2,221).

(In thousands of Reais)

d.3 Civil processes

The civil processes assessed by the legal advisors as being probable risks were fully provided for and reaches **R$ 34,338** (2008 - R$ 32,717). BICBANCO is party to 576 processes, for which the amounts claimed reaches **R$ 58,141** (2008 - R$ 40,356) and which are classified as possible risks and therefore no provision was recorded considering that accounting practices adopted in Brazil do not require them to be recorded. According to the estimate of the legal advisors, the maximum amount of indemnification from these processes is **R$ 34,136** (2008 - R$ 17,249).

e. Movement of provisions

BICBANCO CONSOLIDATED

	2008	2009			
Description	**Opening balance**	**Additions**	**Reversals**	**Utilization**	**Closing balance**
Civil	32,717	6,559	4,938		34,338
Labor	10,189	1,219	411	1,901	9,096
Co-obligations in Loan Assignments	509		493		16
Subtotal	43,415	7,778	5,842	1,901	43,450

Fiscal	**Opening balance**	**Additions**	**Reversals**	**Updating**	**Closing balance**
CSL Isonomy	89,757		101,541	11,784	-
CSL Isonomy on allowance for loans losses	2,908		3,822	914	-
INSS surtax 2.5%	3,986			113	4,099
INSS on Retainer	9,531			269	9,800
COFINS - offset challenged	10,336		10,456	120	-
PIS offset challenged	1,851		1,873	22	-
PIS Amend, 10/96	10,012			290	10,302
PIS Law 9718	15,859	6,461		1,772	24,092
COFINS Law 9718	95,825	39,745		10,785	146,355
IRPJ 1996 s/ded, PIS	1,851		1,851		-

(In thousands of Reais)

Fiscal	Opening balance	Additions	Reversals	Updating	Closing balance
CSL 1996 s/ded, PIS	1,389	-	1,389	-	-
IRPJ 2006 offset challenged	30,269	-	30,269	-	-
CSL 2006 offset challenged	3,432	-	3,432	-	-
ISS	784	339	-	-	1,123
CSL Isonomy (as of 2008)	-	20,848	-	-	20,848
Subtotal	277,790	67,393	154,633	26,069	216,619
Total	321,205	75,171	160,475	24,168	260,069

For the provisions above described, BICBANCO deposited as guarantee (note 11 - other receivable - Other) the amounts of R$ 12,001 for civil processes, R$ 8,076 for labor processes and R$ 44,657 for fiscal processes.

25 Other liabilities - Other

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	2008	2009	2008
Banker's checks	10,512	5,410	10,512	5,410
Obligation acceptance contracts	12,710	12,710	12,710	12,710
Accounts payable	13,191	12,037	34,337	27,667
Provision for legal claims (a)	43,419	43,384	43,450	43,415
FDIC liabilities (b)	-	-	171,450	201,078
Other domestic creditors (c)	58,922	58,069	61,523	62,251
Total	138,754	131,610	333.982	352,531

(a) Refers to the provision for labor, civil, processes (Note 24).
(b) Refers to the BICBANCO´s FIDC Senior Quotas.
(c) The balance of other creditors refers, mainly, to payment in advance of assigned contracts, recorded at the present value of the obligation on the base date.

26 Subordinated debt

In March 2006, BICBANCO issued unsecured securities overseas in the amount of US$ 120,000 million with a 10-year maturity. The securities are recorded at their issuance amounts, price-level restated by the dollar variation plus interest at the rate of 9.75% p.a.

On September 12, 2006 the Central Bank of Brazil ratified the classification of the operation as a subordinated debt - Tier II capital, in accordance with Resolution 2,837/01, substituted by the Resolution nº 3444/07.

Following the maturity dates and interest defined in the contract, and the criteria for the reduction of the "TIER II" amount established in the aforesaid legislation, the Bank have used 100% of the price-level restated amount, corresponding to R$ 216,411 on December 31, 2009 (2008 - R$ 285,725).

27 Deferred income

It mainly refers to income received in advance, which accrual depends on the course of the term.

28 Shareholders' equity

a. Stocks

The Bank´s Capital is R$ 1,434,206 represented by 260,466,069 registered stocks, of which 160,206,833 are common stocks and 100,259,236 are preferred stocks, fully paid and validated by the Brazilian Central Bank.

b. Treasury stocks

As deliberated by Board of Directors on March 12, 2009 the Bank's Management was authorized to cancel 8,491,018 stocks equivalent to R$ 28,855.00 and relates to 2,775,300 preferred stocks acquired in 2008, and 5,715,718 acquired in 2009 as resolved by the Board of Directors on December 09, 2008 held in reserve, without Capital reduction. The cancellation was made with reduction of the account "Profit Reserves".

As deliberated by the Board of Directors on Marche 12, 2009, the Bank's Management was authorized to acquire stocks issued by the BICBANCO in the period from March 12, 2009 to March 12, 2010, for further cancellation without Capital reduction, up to the limit of 10% of the nominative preferred shares issued, or up to 7,633,700 stocks.

To comply with CVM Instruction nº 10, art. 21° - February 14th. 1980, it is stated:

1. The referred authorization deliberated by the Board of Directors objectives the investment of available resources from "capital reserves".

2. On December 31, 2009 the Bank had 7,378,400 nominative preferred stocks in treasury in the amount of R$ 47,692 acquired in the period between March 12, 2009 and December 31, 2009, at the average weighted cost of R$ 6,46; maximum R$ 13,20 and minimum R$ 3,52.

3. The Bank acquired 5,715,718 nominative preferred stocks in the period between Jan 02, 2009 and March 11, 2009 (2nd. repurchase program) and 7,378,400 nominative preferred stocks in the period between March 12, 2009 and Dec 31, 2009 (3rd. repurchase program), totaling 13,094,118 nominative preferred stocks acquired in 2009, in the amount of R$ 70,097 at the average weighted cost of R$ 5,35; maximum R$ 13,20 and minimum R$ 3,12.

4. The market price of the stocks on December 31, 2009 was R$ 12.02.

(In thousands of Reais)

The amount of stocks in treasury was as follows:

	R$	Shares
Opening balance Dec 2008	6,451	2,775,300
2nd. Program re-buying	22,404	5,715,718
3rd. Program re-buying	47,692	7,378,400
(-) Cancelling	(28,855)	(8,491,018)
Closing balance Dec 2009	47,692	7,378,400

c. *Interest on capital*

A minimum dividend corresponding to 25% of net income for the year, in accordance with corporate law, is assured to the shareholders. On March 23, 2009, it was approved in Ordinary General Meeting the payment dividends of the 2008 fiscal year in the amount of R$ 40,000, corresponding to R$ 0.155155927 per share.

On December 31, 2009 a payment was approved by the Board of Directors of the amount of R$ 23,000 corresponding to R$ 0,090305341 per share, as intermediary dividends.

Based on the intermediary results the gross amount of R$ 108,000 was provisioned as interest on Capital equivalent to R$ 0,320481453 per share, with payment in April 08, 2009 (R$ 28,000); July 04, 2009 (R$ 28,000); October 13, 2009 (R$ 26,000) and January 14, 2010 (R$ 26,000). The non-paid provisioned interests on capital are recorded in the account "Other Liabilities - Social and Statutory Payables". During the period, the income tax (IRPJ) and social contribution (CSLL) were reduced by R$ 43,200.

(In thousands of Reais)

	2009	2008
Net income	320,277	324,713
Legal reserves	(16,014)	(15,889)
Calculation basis	304,263	308,824
Interests on capital	108,000	95,440
IRRF - 15% (Income Tax)	(16,200)	(14,316)
Dividends	23,000	31,000
Paid Value	114,800	112,124
% on the calculation basis	37.73%	36.31%
Dividends paid in 2009 based on 2008 net income	-	40,000
% on the calculation basis	37.73%	49.26%

d. Reserves

The "Statutory Reserve" comprises the sum of values remaining from the net income of previous periods, after distribution of dividends and interest on capital and legal reserves designated to enforce the capital and "working capital" of the Company.

e. Prior year adjustments

Resulting from the change in the method of accounting deliberated by the Bank's Management, there was a prior year adjustment in the amount of R$ 6,945 referring to the mark-to-market of a hedge transaction related to "foreign currency borrowings and re-passes", in compliance with the Circular #3.082 of the Brazilian Central Bank.

29 Income tax and social contribution

a. Tax credits: the deferred income tax and social contribution recorded in BICBANCO - "Non-current assets - Other receivables - Other" and Non-current liabilities - other liabilities - tax and social security contributions presented the following movement:

(In thousands of Reais)

BICBANCO CONSOLIDATED

	2008	2009		
Description	**Opening balance**	**Realization**	**Additions**	**Closing balance**
Income tax				
Allowance for loan losses	103,985	35,960	57,520	125,545
Provision for the devaluation of assets not for own use	3,257	232	174	3,199
Provision for contingencies and others	82,685	44,927	28,475	66,233
Subtotal	189,927	81,119	86,169	194,977
Fiscal losses from Lease operations	2,482	-	4,473	6,955
Subtotal	192,409	81,119	90,642	201,932
Social contribution				
Allowance for loan losses	62,391	21,576	34,511	75,326
Provision for the devaluation of assets not for own use	1,954	139	104	1,919
Provision for contingencies and others	49,610	26,956	17,084	39,738
Subtotal	113,955	48,671	51,699	116,983
Total	306,364	129,790	142,341	318,915

Realization of tax credits - Based on a technical study, it was possible to estimate the generation of future taxable income for which there will occur realization of the tax credits, For the tax credits existing on the balance sheet date, the following percentages of realization were estimated: 23.4% until Dec 2010, 44.3% until Dec 2011, 5.3% until Dec 2012, 7.7% until Dec 2013 and 19.3% until Dec 2014. The Bank’s management approved the technical study, in conformity with rules issued by the Central Bank of Brazil.

Present value of tax credits - Based on the projected Selic rate (the Brazilian basic interest rate) less tax effects, Tax credit calculated at their present value amount to approximately R$ 246,389 (2008 - R$ 219,087).

(In thousands of Reais)

b. Deferred liability: The Bank recorded R$ 15,570 (2008 - R$ 5,491) as deferred income tax on excess of depreciation, which will be realized during the term or realization of the leasing operations.

BICBANCO CONSOLIDATED 2009				
Deferred liability	**Opening balance**	**Realization**	**Additions**	**Closing balance**
Income tax on depreciation surplus	5,491	-	10,079	15,570
Total	5,491	-	10,079	15,570

c. Income tax and social contribution - Calculation

	BICBANCO CONSOLIDATED 2009	
Calculation	**Income tax**	**Social contribution**
Income before taxes, contributions and interest	480,254	480,254
Interest on shareholder’s equity	(108,000)	(108,000)
Profit sharing	(36,269)	(36,269)
Calculation basis for income tax and social contribution	335,985	335,985
Temporary differences	344,672	344,672
Permanent differences	89,234	52,965
Exclusions	(456,110)	(415,934)
Adjusted profit	313,781	317,688
(+) Fiscal losses from BIC Arrendamento	17,894	-
Charges at the rates of 15%for income tax and social contribution	49,751	47,653
10% income tax surcharge	33,144	-
Current taxes	82,895	47,653

(In thousands of Reais)

	BICBANCO CONSOLIDATED 2009	
Calculation	**Income tax**	**Social contribution**
Reconciliation with results		
Current Taxes	82,895	47,653
Tax deduction	(2,640)	-
Deferred Income tax - depreciation surplus	10,079	-
(=) Income Tax and CSLL provisions (2009)	90,334	47,653
(+) Income Tax and CSLL adjustments (2008)	1,194	716
(=) Income Tax and CSLL total provisions	91,528	48,369
CSL_MP 2158-35 (adjustments)	-	(1,565)
Constitution of tax credits on temporary additions	(86,169)	(51,699)
Constitution of tax credits on fiscal losses	(4,473)	-
Tax Credit realization (reversal of temporary additions)	81,119	48,671
(=) Net effect of tax credits	(9,523)	(4,593)
Income Tax and CSLL expenses	82,005	43,776

(In thousands of Reais)

	BICBANCO CONSOLIDATED 2008	
Calculation	**Income tax**	**Social contribution**
Income before taxes, contributions and interest	397,896	397,896
Interest on shareholder's equity	(95,440)	(95,440)
Profit sharing	(29,436)	(29,436)
Calculation basis for income tax and social contribution	273,020	273,020
Temporary differences	366,828	367,016
Permanent differences	70,927	13,773
Realization of tax credits	(99,197)	(79,321)
Exclusions	(32,633)	(32,633)
Adjusted profit	578,945	541,855
Charges at the rates of 15% and 9% for income tax and social Contribution, respectively	86,841	48,767
Tax rate increase, as of May 2008 (from 9% to 15%)	-	21,358
10% income tax surcharge	57,871	-
Current taxes	144,712	70,125
Reconciliation with results		
Current Taxes	144,712	70,125
Tax deduction	(2,841)	-
Constitution/reversal of tax credits	(85,102)	(48,150)
Increase in deferred CSLL for the tax rate change from 9% to 15% (2008)	-	(4,976)
Acréscimo da CSLL diferida de 9% para 15% - Credit tax balances up to Dez/07		(25,839)
Tax results	56,769	(8,840)

(In thousands of Reais)

30 Composition of the main income accounts

a. Income from loans

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Working capital and discounts	882,973	1,042,778	882,973	1,042,778
Secured accounts	197,097	268,680	197,097	268,680
Personal consigned credit	26,916	73,830	26,916	73,830
Personal credit	6,808	13,458	6,808	13,458
Personal consigned credit - assigned operations	9,575	31,835	30,897	30,314
“Compror”	5,243	17,711	5,243	17,711
Corporate checks	26,884	29,725	26,884	29,725
BNDES “repasses”	1,027	3,016	1,027	3,016
Import financing	13,878	26,016	13,878	26,016
Export financing	112,951	145,274	112,951	145,274
Rural and agro-industrial financing	5,983	565	5,983	565
Real estate and housing	607	654	607	654
Resolution 2770 (former “Res. 63”)	4,930	4,910	4,930	4,910
Vendor	1,772	2,239	1,772	2,239
Other loans and financing	16,120	8,511	16,120	8,511
Recovery of loans written off as losses	37,741	25,859	37,786	25,871
Discounts on assigned operations for settlement anticipation	(6,458)	(2,424)	(6,458)	(2,424)
Exchange variation on loans in foreign currency	(78,745)	97,681	(78,745)	97,681
Total	1,265,302	1,790,318	1,286,669	1,788,809

(In thousands of Reais)

b. *Income from securities*

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Income from Interbank funds invested	114,531	41,268	114,321	41,168
Income from fixed income securities	46,778	100,358	52,931	102,141
Income from REPO transactions	3,227	29,259	3,227	29,283
Other operations with securities	25,879	36,448	4,175	13,408
Exchange variation	(6,829)	(18,482)	(6,829)	(18,482)
Total	183,586	188,851	167,825	167,518

c. *Results from derivative financial instruments*

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Future market - Dollar	39,660	(100,767)
Future market - Interbank Index	8,316	(4,088)
Result of stock-options	(1,785)	1,794
Result of flexible-stock-options	-	(134,578)
Swaps	(63,607)	(134,194)
Swap - Dollar	(251,147)	471,910
Forward stocks	-	(725)
Forward currencies	(62,219)	22,890
Total	(330,782)	122,242

(In thousands of Reais)

d. *Foreign exchange results*

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Income from foreign exchange operations	94,348	83,038
Expenses with foreign exchange operations	(2,066)	(6,730)
Foreign exchange variations	(243,154)	328,913
Total	(150,872)	405,221

e. *Deposits, money market and Interbank funds*

	BICBANCO		BICBANCO Consolidated	
	2009	**2008**	**2009**	**2008**
Savings deposits	771	2,921	771	2,921
Foreign securities	81,409	102,083	81,409	102,083
Interbank deposits	27,886	31,701	28,157	31,701
Time deposits	376,368	569,990	368,602	565,957
Repurchase operations	3,642	33,133	3,032	29,768
Expenses with debentures	-	-	10,684	6,636
Other	7,167	7,285	7,167	7,285
Exchange variations on securities issued abroad	(152,166)	169,319	(152,166)	169,319
Total	345,077	916,432	347,656	915,670

(In thousands of Reais)

f. Expenses (income) from borrowings and repasses

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
BNDES repasses	727	2,285
Foreign banking expenses	69,798	108,015
Exchange variation on loans and re-passes	(430,270)	487,615
Mark-to-market - item subject to Hedge (*) - Note 21	20,066	(23,781)
Total	(339,679)	574,134

(*) The market value adjustment of the borrowings and repasses off-sets the market value adjustment of swap operations.

g. Other operating income

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Recovery of charges and expenses	-	118	130	183
Remuneration of funds deposited with Bacen	256	2,837	256	2,837
Income from other receivables selling of other assets	785	438	1,350	1,296
Monetary restatement of deposits for guarantees	2,238	262	2,238	262
Gain with contingent asset - PIS (Note 24a.)	50,385	-	50,385	-
Earnings from Amnesty Law 11941/09 (*)	42,728	-	42,728	-
Reversal of provisions	3,357	4,774	5,754	4,774
Other operating income	4,570	2,593	6,166	2,869
Total	104,319	11,022	109,007	12,221

(*) Recovery of fines and interests in the amount of R$ 69,156, deducted from fines and interests on fiscal liabilities under judicial questioning in the amount of R$ 26,428.

(In thousands of Reais)

h. Other operating expenses

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Expenses with discounts conceded in renegotiation	19,952	2,942	19,952	2,942
Expenses with labor and civil provisions	3,702	7,979	3,702	8,000
Expenses from updating of taxes	6,093	37,396	6,093	37,826
Commissions of assigned credits	32,490	46,669	31,415	30,695
Employees profit sharing	30,062	20,975	30,080	20,979
Sponsoring of selected programs	3,139	3,856	3,139	3,856
Provision for losses on other assets	14,490	-	15,990	-
Taxes on exchange operations	3,758	5,511	3,758	5,511
Other operating expenses	23,768	1,481	23,357	2,743
Total	137,454	126,809	137,486	112,552

i. Personnel expenses

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Salaries	82,390	87,974	82,549	88,038
Benefits	11,414	12,355	11,459	12,373
Social charges	28,845	29,040	28,907	29,064
Directors' compensation	7,798	7,441	7,798	7,441
Other	455	772	455	772
Total	130,902	137,582	131,168	137,688

(In thousands of Reais)

j. Other administrative expenses

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Rents and rates	8,404	8,032	8,443	8,087
Communication	4,090	4,375	4,097	4,378
Maintenance and conservation	7,332	5,937	7,337	5,938
Data processing	11,964	14,080	12,043	14,158
Promotions and public relations	3,486	4,581	3,486	4,582
Publicity	4,914	12,127	5,431	12,327
Financial system services	8,572	9,329	10,122	10,050
Third party services	24,053	21,384	25,477	22,484
Transportation and travels	4,390	5,585	4,390	5,585
Amortization and depreciation	20,480	18,150	20,826	18,346
Other administrative expenses	11,683	10,142	12,012	10,545
Total	109,368	113,722	113,664	116,480

k. Tax expenses

Refer to federal taxes and contributions PIS and COFINS: R$ 47,917 (2008 - R$ 58,728).

l. Variation of foreign exchange rates

In the financial operation results foreign exchange variations on assets and liabilities indexed to the US dollar were computed, as follows:

(In thousands of Reais)

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	2008
Loans in foreign currency	(78,745)	97,681
Foreign securities	(6,829)	(18,482)
Future market - Dollar	39,660	(100,767)
Flexible options - Dollar	-	(134,578)
Swaps - Dollar	(251,147)	471,910
Forward contract - Dollar	(62,219)	22,890
Exchange operations result	(243,154)	328,913
Securities issued abroad	152,166	(169,319)
Foreign currency borrowings and on-lending	430,894	(487,615)
Total	(19,374)	10,633

m. Non-operating result

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	2008	2009	2008
Results from sale of investments (*)	3,182	456	3,182	456
Results from assets not for own use	1,324	1,429	1,222	1,205
Others	(210)	(628)	(206)	(628)
Total	4,296	1,257	4,198	1,033

(*) Earnings obtained from selling stocks of CETIP in 2009 and VISA in 2008.

(In thousands of Reais)

31 Basel agreement

The Bank falls within the limits established under Brazilian Central Bank Resolution 2099/94, added or amended by Resolutions nº 3440/07 and nº 3490/07 and Circular nº3360/07, reporting a ratio of equity to weighted assets as follows:

		BICBANCO MÚLTIPLO E CONSOLIDADO - 2009	
Credit Risk Parcel	Pepr	1,172,599	
Foreign Exchange Risk Parcel	Pcam	81,656	
Interest Rate Risk Parcel	Pjur	766	
Stock and Trading Operations Parcel	Pacs	3,796	
Operating Risk Parcel	Popr	30,467	
Interests Risk Parcel (banking portfolio)	Rban	60,158	
Reference Shareholders' Equity required	**PRE**	1,349,442	
Reference net Equity - Tier I		1,744,576	
Reference net Equity - Tier II		216,411	
Total Reference net Equity		1,960,988	
Risk Factor - 11% on (PR)			215,709
Basel index (% of PR)			15,99%

a. As of July 1st. 2008, the calculation of operational limits changed concepts from "Basel I" to "Basel II", with incorporation of new risk factors for the calculation of the "minimum capital demanded", which is now represented by the below equation:

PRE = Pepr + Pcam + Pjur + Pcom + Pacs + Popr +Rban

b. An operation of funding in Reais (R$), in the amount of R$ 200.000 and with a 10-year term, to be classified as subordinated debt (Capital Tier II) is under evaluation and pending of approval from the Brazilian Central Bank, which could reach the BICBANCO'S Basel ratio to 17,62% from the current 15.99%.

(In thousands of Reais)

32 Statement of fixed assets limit

	BICBANCO and BICBANCO CONSOLIDATED	
	2009	**2008**
Limit	980,475	1,003,057
Situation	55,902	56,505
Margin	924,572	946,552
Fixed assets index	2,85	2,82

33 Guarantees and sureties provided

Responsibilities for guarantees and sureties provided amounted to R$ 636,932 (2008 - R$ 487,144), which have the following concentration:

	BICBANCO and BICBANCO CONSOLIDATED			
	2009	**%**	**2008**	**%**
Highest guarantee granted	49,752	7,81	52,532	10,78
10 largest guarantees	299,512	47,02	248,301	50,97
20 largest guarantees	419,211	65,82	325,814	66,88
50 largest guarantees	556,514	87,37	434,152	89,12

34 Asset management

The tangible-net-worth of the investment funds managed by the Bank totaled R$ 5,834 (2008 - R$ 9,333) and was composed of 203 quota holders (2008 - 346 quota holders).

(In thousands of Reais)

35 Other information

a. The Bank has 36 selling points in Brazil and 01 (one) overseas branch

The bank' staff is distributed as follows:

	2009	**2008**
Operational		
Trade	226	244
Funding	17	24
Subtotal	243	268
Support and control		
Administrative	292	325
Legal/audit	24	24
Controllership	106	122
Information technology	67	65
Other	15	15
Subtotal	504	551
Total	747	819

b. Debt covenants

BICBANCO has credit lines with international institutions such as IADB (Inter-American Development Bank), IFC (International Finance Corporation) and borrowing operations with IIC (Inter-American Investment Corporation) for on-lending to Brazilian companies, with maturities from 2.5 to 5.4 years, For monitoring of BICBANCO's ratios by the creditors, the contracts have certain covenants, quarterly verified, and with which that the Bank has to comply. The calculation is based on the audited Financial Statements, and prepared in compliance with the Brazilian Corporate Law and regulations from the Brazilian Central Bank. BICBANCO is in compliance with all demanded covenants ratios.

(In thousands of Reais)

BICBANCO CONSOLIDATED	Required 2009
Capitalization	≥ 11%
Immobilization	≤ 30%
Liquid Assets to short term liabilities	≥80%
Reference Net Equity (PR) to Total Assets	≥ 6%
Overdue loans ratio	≤ 6%
Allowance for loan losses	≥ 100%
D-H Loans + Goods - Provisions on PR	≤25%
Largest debtor on PR	≤20%
10 largest debtors (a tenth of PR) on PR	≤ 350%
Operating Expenses to Operating Result	≤ 75%
Foreign exchange Exposure to PR	≤ 15%
Liquidity Gap (90 days) in R$	› 0
Liquidity Gap (90 days) - Ratio	› 0
Interest Risk Rate on PR	≤ 10%
Aggregate Interest Risk Rate on PR	≤ 20%
Aggregate Negative Interest Risk Rate on PR	≥ -250%

c. *Pension and retirement plans*

BICBANCO is not responsible for the maintenance of any pension and/or retirement plan, neither as administrator nor as a sponsor.

d. *Insurance*

BICBANCO maintains policy of risk protection. The Bank's Management believes that the values of its contracted insurances offer reasonable coverage for its business & assessed relevant amounts involved.

(In thousands of Reais)

e. Cash and cash equivalents

	BICBANCO		BICBANCO CONSOLIDATED	
	2009	**2008**	**2009**	**2008**
Cash and banks	245,264	200,106	245,330	200,183
Open market	888,053	1,507,402	888,053	1,507,402
Interbank deposits	6,118	22,741	6,119	22,741
Foreign currency deposits	515	88,570	515	88,570
Total	1,139,950	1,818,819	1,140,017	1,818,896

36 Subsequent event

On January 20, 2010, the BICBANCO issued the amount of USD275.0 Million in Eurobonds, interest of 6.25% p.a. maturing in January 2013, within its USD1.0 Billion EMTN (Euro medium Term Notes) program.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Financial statements
December 31, 2008 and 2007

Independent auditors’ report

To
The Board of Directors and Shareholders
Banco Industrial e Comercial S.A.
São Paulo - SP

We have examined the balance sheets of Banco Industrial e Comercial S.A. (BICBANCO) and the consolidated balance sheets of the Bank, its subsidiaries and the credit receivables investment funds (BICBANCO CONSOLIDATED) as of December 31, 2008 and 2007 and the related statements of income, changes in shareholders’ equity, cash flows and value added for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these Financial Statements.

Our examinations were conducted in accordance with auditing standards accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of BICBANCO; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by the management of BICBANCO, as well as the presentation of the Financial Statements taken as a whole.

In our opinion, the aforementioned Financial Statements present fairly, in all material respects, the financial position of Banco Industrial e Comercial S.A., and the consolidated financial position of the Bank, its subsidiaries and the credit receivables investment funds, as of December 31, 2008 and 2007, and the results of their operations, changes in their shareholders’ equity, cash flows and value added for the years then ended, in conformity with accounting practices adopted in Brazil.

February 13, 2009

KPMG Auditores Independentes
CRC 2SP014428/O-6

Alberto Spilborghs Neto
Accountant CRC 1SP167455/O-0

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Balance sheets

At December 31,2008 and 2007

(In thousands of Reais)

	Note	BICBANCO		BICBANCO Consolidated	
Assets		**2008**	**2007**	**2008**	**2007**
Current assets		9.454.418	8.994.488	9.663.309	9.002.387
Cash and cash equivalents	4a	200.106	139.809	200.183	139.922
Interbank funds applied		1.639.617	128.862	1.639.617	128.862
Money market	4b	1.507.402	9.002	1.507.402	9.002
Interbank deposits	4c	43.645	9.122	43.645	9.122
Foreign currency	4d	88.570	110.738	88.570	110.738
Securities and derivative financial instruments		435.041	2.125.450	446.287	2.125.876
Own portfolio	5b	204.327	435.928	215.573	436.354
Subject to repurchase commitments	5b/5d	1.800	1.352.040	1.800	1.352.040
Subject to Brazilian Central Bank	5b	-	265.148	-	265.148
Subject to guarantees	5b	126.530	50.184	126.530	50.184
Derivative financial instruments	6b	102.384	22.150	102.384	22.150
Interbank accounts		118.415	354.099	118.415	354.099
Unsettled payments and receipts		104	73	104	73
Restricted deposits:					
Brazilian Central Bank	7	118.269	353.694	118.269	353.694
Domestic correspondents		42	332	42	332
Loans		5.481.804	5.053.626	5.612.375	5.053.626
Loans	8	5.689.247	5.144.286	5.820.593	5.144.286
Public sector		147.258	107.501	147.258	107.501
Private sector		5.541.989	5.036.785	5.673.335	5.036.785
Allowance for loan losses	9	(207.443)	(90.660)	(208.218)	(90.660)

Lease operations	8i	-	-	54.808	6.698
Lease receivables - Private sector		-	-	55.726	6.707
Allowance for doubtful lease receivable		-	-	(918)	(9)
Other receivables		1.550.278	1.152.563	1.562.454	1.153.225
Foreign exchange portfolio	10	1.527.968	1.141.641	1.527.968	1.141.641
Income receivable		2.924	2.975	5.598	2.975
Securities clearing accounts		5.633	2.238	13.680	2.238
Other	11	56.454	15.864	57.909	16.533
Allowance for losses	9	(42.701)	(10.155)	(42.701)	(10.162)
Other assets		29.157	40.079	29.170	40.079
Prepayments	12b	29.157	40.079	29.170	40.079
Noncurrent assets		2.111.227	1.893.998	2.251.066	1.926.359
Interbank funds applied		42.295	127.901	42.295	127.901
Interbank deposits	4c	42.295	127.901	42.295	127.901
Securities and derivative financial instruments		300.641	4.903	219.189	4.903
Own portoflio	5b	106.641	4.903	25.189	4.903
Derivative financial instruments	6b	194.000	-	194.000	-
Loans		1.302.691	1.509.193	1.440.814	1.509.193
Loans	8	1.359.295	1.541.341	1.497.418	1.541.341
Public sector		126.518	133.768	126.518	133.768
Private sector		1.232.777	1.407.573	1.370.900	1.407.573
Allowance for loan losses	9	(56.604)	(32.148)	(56.604)	(32.148)
Lease operations	8i	-	-	58.700	12.285
Lease receivables - Private sector		-	-	60.092	12.458
Allowance for doubtful lease receivable		-	-	(1.392)	(173)
Other receivables		425.019	208.398	449.464	212.793
Guarantees and sureties honored	10	-	422	-	422
Other	11	425.352	208.156	450.491	212.551
Allowance for losses	9	(333)	(180)	(1.027)	(180)

Other assets		40.581	43.603	40.604	59.284
Other assets	12a	26.631	20.888	26.631	36.588
Prepayments	12b	26.977	35.904	27.000	35.904
Provision for devalutaion of other assets	12a	(13.027)	(13.189)	(13.027)	(13.208)
Permanent assets		176.531	141.582	92.972	63.387
Investments		84.173	78.647	614	452
Investments in subsidiaries - Domestic	15	83.559	78.195	-	-
Other investments		1.062	900	1.104	900
Provision for devaluation of investments		(448)	(448)	(490)	(448)
Fixed assets	13a	46.110	32.901	46.110	32.901
Property for use		52.314	38.257	52.314	38.257
Other fixed assets		28.952	32.287	28.952	32.287
Accumulated depreciation		(35.156)	(37.643)	(35.156)	(37.643)
Intangible	13b	978	-	978	-
Intangible assets		995	-	995	-
Accumulated amortization		(17)	-	(17)	-
Deferred charges	13c	45.270	30.034	45.270	30.034
Organization and expansion costs		85.953	56.279	85.953	56.279
Accumulated amortization		(40.683)	(26.245)	(40.683)	(26.245)
Total assets		11.742.176	11.030.068	12.007.347	10.992.133

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Balance sheets

At December 31,2008 and 2007

(In thousands of Reais)

Liabilities	Note	BICBANCO 2008	BICBANCO 2007	BICBANCO Consolidated 2008	BICBANCO Consolidated 2007
Current liabilities		6.982.596	7.082.695	6.963.033	7.076.136
Deposits	17a	3.391.592	3.298.545	3.347.443	3.283.079
Demand deposits		110.770	112.673	110.240	112.069
Savings deposits		175.670	232.928	175.646	227.883
Interbank deposits		326.473	223.637	326.473	223.637
Time deposits		2.774.815	2.728.508	2.731.220	2.718.691
Deposits for Investments		3.864	799	3.864	799
Money market repurchase commitments		24.614	1.354.082	19.663	1.354.082
Own portfolio	5d	1.798	1.348.687	1.798	1.348.687
Third party portfolio		22.816	5.395	17.865	5.395
Debt securities		472.365	135.012	479.880	135.012
Funds from debentures		-	-	7.515	-
Securities issued abroad	19	472.365	135.012	472.365	135.012
Interbank accounts		107	145	107	145
Unsettled payments and receipts		104	59	104	59
Domestic correspondents		3	86	3	86
Interbranch accounts		26.723	61.388	26.723	61.388
Third party funds in transit		26.661	61.388	26.661	61.388
Internal transfers		62	-	62	-
Borrowings	21	1.937.522	1.487.936	1.937.522	1.487.936
Foreign currency borrowings		1.937.522	1.487.936	1.937.522	1.487.936
Repass borrowings	22	8.707	37.340	8.707	37.340

BNDES		8.707	37.340	8.707	37.340
Foreign currency repass borrowings	21	58.281	3.958	58.281	3.958
Derivative financial instruments	6b	27.466	78.974	27.466	78.974
Other liabilities		1.035.219	625.315	1.057.241	634.222
Tax Collection		399	2.827	399	2.827
Foreign exchange portfolio	10	631.907	314.923	631.907	314.923
Social and statutory payables		20.271	38.966	20.271	38.966
Taxes and social security contributions	23	221.102	133.248	223.281	136.003
Securities clearing accounts		6.697	4.872	6.697	4.872
Application of specific resources		13.737	-	13.737	-
Subordinated debts	26	9.496	7.131	9.496	7.131
Other	25	131.610	123.348	151.453	129.500
Noncurrent liabilities		3.065.165	2.367.680	3.354.081	2.336.304
Deposits					
	17a	1.121.442	1.162.222	1.096.650	1.129.176
Interbank deposits					
Interbank deposits		11.571	15.364	11.571	15.364
Time deposits		1.109.871	1.146.858	1.085.079	1.113.812
Debt securities		537.952	364.231	642.577	364.231
Funds from debentures		-	-	104.625	-
Securities issued abroad	19	537.952	364.231	537.952	364.231
Borrowings		345.995	61.830	345.995	61.830
Foreign currency borrowings		345.995	61.830	345.995	61.830
Repass borrowings	22	676	8.399	676	8.399
BNDES		676	8.399	676	8.399
Foreign currency repass borrowings	21	424.764	210.778	424.764	210.778
Derivative financial instruments	6b	24.797	172.353	24.797	172.353
Other liabilities		609.539	387.867	818.622	389.537
Taxes and social security contributions	23	275.276	180.471	283.281	182.141
Securities clearing accounts		58.034	-	58.034	-
Subordinated debts	26	276.229	207.396	276.229	207.396
Other	25	-	-	201.078	-

Deferred income	27	5.148	16.292	5.148	16.292
Shareholders' equity	28	1.689.267	1.563.401	1.685.085	1.563.401
Total paid-in-capital		1.434.206	1.434.206	1.434.206	1.434.206
Capital - Domestic		1.240.857	1.087.778	1.240.857	1.087.778
Capital reserves		193.349	346.428	193.349	346.428
Revenue reserves		261.512	128.142	257.330	128.142
Adjustment to market value - Securities and derivatives		-	1.053	-	1.053
(-) Treasury share		(6.451)	-	(6.451)	-
Total liabilities		11.742.176	11.030.068	12.007.347	10.992.133

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Statements of income

December 31, 2008 and 2007

(In thousands of Reais except for net income per share)

	Note	BICBANCO			BICBANCO Consolidated		
		2nd semester			2nd semester		
		2008	2008	2007	2008	2008	2007
Financial operations income		1.948.655	2.533.449	969.399	1.952.499	2.523.354	968.575
Loans	30a	1.076.667	1.790.318	1.002.076	1.087.539	1.788.809	1.002.091
Leases		-	-	-	9.484	12.747	2.774
Securities	30b	103.495	188.851	253.160	86.983	167.518	249.547
Derivative financial instruments	30c	283.303	122.242	(179.483)	283.303	122.242	(179.483)
Foreign exchange transactions	30d	472.347	405.221	(122.893)	472.347	405.221	(122.893)
Income from compulsory investments		12.843	26.817	16.539	12.843	26.817	16.539
Financial operations expenses		(1.580.966)	(1.764.241)	(426.826)	(1.584.748)	(1.767.069)	(416.026)
Deposits, money market and inter	30e	(657.258)	(916.432)	(460.917)	(658.674)	(915.670)	(451.481)
Borrowings and repasses	30f	(723.373)	(574.134)	174.121	(723.373)	(574.134)	174.121
Allowance for loan losses	9a	(200.335)	(273.675)	(140.030)	(202.701)	(277.265)	(138.666)
Gross profit from financial operations		367.689	769.208	542.573	367.751	756.285	552.549
Other operating income (expenses)		(195.745)	(367.873)	(272.408)	(193.688)	(359.422)	(279.448)
Service fee income		4.767	9.931	4.605	5.103	10.267	4.605
Income from banking tariff		20.431	42.550	37.901	20.769	43.538	38.264
Personnel expenses	30i	(68.841)	(137.582)	(110.680)	(68.947)	(137.688)	(110.680)
Taxes	30k	(31.367)	(58.627)	(42.332)	(31.955)	(58.728)	(43.077)
Equity in earnings of subsidiaries	15	3.425	5.364	5.883	-	-	-
Other administrative expenses	30j	(61.338)	(113.722)	(108.948)	(62.801)	(116.480)	(109.574)
Other operating income	30g	3.773	11.022	14.376	4.771	12.221	14.578
Other operating expenses	30h	(66.595)	(126.809)	(73.213)	(60.628)	(112.552)	(73.564)
Operating result		171.944	401.335	270.165	174.063	396.863	273.101
Non operating result	30m	(97)	1.257	326	9	1.033	323

Income before taxes		171.847	402.592	270.491	174.072	397.896	273.424
Income tax	29c	(71.327)	(139.002)	(86.847)	(75.605)	(141.871)	(88.771)
Social contribuition	29c	(42.265)	(69.271)	(26.451)	(43.509)	(70.125)	(27.143)
Tax credit	29c	77.926	159.830	46.045	81.641	164.067	45.728
Statutory profit sharing		(12.677)	(29.436)	(21.297)	(12.677)	(29.436)	(21.297)
Net income		123.504	324.713	181.941	123.922	320.531	181.941
Number of shares paid in (thousand)	28	268.957	268.957	278.185			
Net income per share - R$		0,46	1,21	0,65			

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Statements of changes in shareholders' equity

December 31,2008 and 2007

(In thousands of Reais)

			Capital reserves		Revenue reserves				
	Capital	Tresuary share	Premium on subscription of shares	Tax incentives	Legal	Statutory	Adjustment value	Retained earnings	Total
Balances at December 31, 2006	332.000	-	1.723	8.785	31.866	152.917	32	-	527.323
Capital increase in cash	906.916	-	-	-	-	-	-	-	906.916
Capital increase in reserves	195.290	-	(1.723)	(8.785)	(31.866)	(152.916)	-	-	-
Adjustments to value -	-	-	-	-	-	-	1.021	-	1.021
Net income of the period	-	-	-	-	-	-	-	181.941	181.941
Interest on shareholder´s equity	-	-	-	-	-	-	-	(53.800)	(53.800)
Distribution of income: Reserves	-	-	-	-	9.097	119.044	-	(128.141)	-
Balances at December 31, 2007	1.434.206	-	-	-	9.097	119.045	1.053	-	1.563.401
Changes in the period	-	-	(1.723)	(8.785)	(22.769)	(33.872)	1.021	-	1.036.078

Balances at January 1st, 2008	1.434.206	-	-	-	9.097	119.045	1.053	-	1.563.401
Prior year adjustment	-	-	-	-	-	-	-	(6.945)	(6.945)
Reparchase share	-	(64.409)	-	-	-	-	-	-	(64.409)
Shares cancellation	-	57.958	-	-	-	(57.958)	-	-	-
Adjustments to market value - Securities	-	-	-	-	-	-	(1.053)	-	(1.053)
Net income of the period	-	-	-	-	-	-	-	324.713	324.713
Interim dividend	-	-	-	-	-	-	-	(31.000)	(31.000)
Interest on shareholder´s equity	-	-	-	-	-	-	-	(95.440)	(95.440)
Distribution of income: Reserves	-	-	-	-	15.889	175.439	-	(191.328)	-
Balances at December 31, 2008	1.434.206	(6.451)	-	-	24.986	236.526	-	-	1.689.267
Changes in the period	-	(6.451)	-	-	15.889	117.481	(1.053)	-	125.866

Balances at June 30, 2008	1.434.206	-	-	-	19.160	262.471	(450)	-	1.715.387
Prior year adjustment	-	-	-	-	-	-	-	(6.945)	(6.945)
Reparchase share	-	(64.409)	-	-	-	-	-	-	(64.409)
Shares cancellation	-	57.958	-	-	-	(57.958)	-	-	-
Adjustments to market value - Securities	-	-	-	-	-	-	450	-	450
Net income of the period	-	-	-	-	-	-	-	123.504	123.504
Interim dividend	-	-	-	-	-	-	-	(31.000)	(31.000)
Interest on shareholder´s equity	-	-	-	-	-	-	-	(47.720)	(47.720)
Distribution of income: Reserves	-	-	-	-	5.826	32.013	-	(37.839)	-
Balances at December 31, 2008	1.434.206	(6.451)	-	-	24.986	236.526	-	-	1.689.267
Changes in the period	-	(6.451)	-	-	5.826	(25.945)	450	-	(26.120)

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Statements of cash flow

December 31,2008 and 2007

(In thousands of Reais)

Cash flow - Indirect method

	BICBANCO			BICBANCO Consolidated		
	2nd semester 2008	**2008**	**2007**	**2nd semester 2008**	**2008**	**2007**
Cash flow of operating activities						
Net income for the period	123.504	324.713	181.941	123.922	320.531	181.941
Adjustments to the net income	263.572	364.141	179.190	270.564	374.795	184.151
Provisions for loan losses	200.335	273.675	140.030	202.701	277.265	138.666
Depreciation and amortization	10.083	18.150	8.398	10.083	18.150	8.398
Provision & reversal of provisions	(75)	(162)	492	(75)	(182)	510
Civel, labor and fiscal provisions	56.677	79.109	36.662	57.878	80.339	37.086
Equity in earnings from subsidiaries	(3.425)	(5.364)	(5.883)	-	-	-
Earnings for selling assets not for own use	9	4	19	9	4	19
Others	(32)	(1.271)	(528)	(32)	(781)	(528)
Adjusted net Income	387.076	688.854	361.131	394.486	695.326	366.092
(Increase) Decrease in interbank funds applied	118.239	64.906	(82.007)	118.239	64.906	(82.007)
Decrease in securities and derivative financial instruments	345.561	1.194.554	353.843	364.974	1.265.186	283.023
(Incrase) Decrease in interbank/interbranch accounts	367.890	200.982	(179.872)	367.890	200.982	(179.872)
Increase in lending and leasing operations	1.113.625	(462.651)	(3.314.680)	985.106	(828.774)	(3.310.661)
Decrease in deferred income	(6.907)	(11.145)	(8.655)	(6.907)	(11.145)	(8.655)
Increase in other assets	(810.980)	(630.920)	(204.503)	(824.635)	(664.048)	(206.523)
Increase in other liabilities	483.123	481.269	358.933	538.015	700.568	365.794
Prior year adjustments	(6.945)	(6.945)	-	(6.945)	(6.945)	-
Net cash provided by (used in) operating activities	1.990.682	1.518.904	(2.715.810)	1.930.223	1.416.056	(2.772.809)

Cash flow of investing activities						
Selling of assets not for own use	933	2.991	2.780	933	18.201	2.780
Disposal of investments	-	11	78	-	11	78
Selling of fixed and lease assets	1	45	1.039	1	45	1.039
Investment in assets not for own use	(5.707)	(7.462)	(5.537)	(5.707)	(7.462)	(21.236)
Investments	(153)	(173)	(110)	(153)	(173)	(10)
Ivestment of fixed and lease assets	(13.821)	(16.955)	(16.306)	(13.821)	(16.955)	(16.307)
Investment in intangbile assets	(995)	(995)	-	(995)	(995)	-
Investment in deferred assets	(6.648)	(29.673)	(26.062)	(6.648)	(29.673)	(26.063)
Net cash provided by (used in) investing activities	(26.390)	(52.211)	(44.118)	(26.390)	(37.001)	(59.719)
Cash flow of financing activities						
Increase (decrease) in deposits	(1.360.493)	52.267	1.723.560	(1.403.056)	31.838	1.891.225
Decrease in money market repurchase commitments	(26.647)	(1.329.468)	(290.338)	(31.599)	(1.334.420)	(290.338)
Increase (decrease) in issuing of securities	207.585	511.891	23.962	320.566	624.873	(71.013)
Increase in borrowings and onlending resources	948.260	969.607	582.934	948.260	969.607	582.934
Increase in subordinated debts	92.650	70.211	(45.784)	92.650	70.211	(45.784)
Capital increase	-	-	906.916	-	-	906.916
Dividends paid	(31.000)	(31.000)	-	(31.000)	(31.000)	-
Interest on capital paid	(47.720)	(95.440)	(53.800)	(47.720)	(95.440)	(53.800)
Acquisition of own stocks	(64.409)	(64.409)	-	(64.409)	(64.409)	-
Net cash provided by (used in) financing activities	(281.774)	83.659	2.847.450	(216.308)	171.260	2.920.140
Statement of cash variations	1.682.518	1.550.352	87.522	1.687.525	1.550.315	87.612
Cash at the beginning of the period	136.301	268.467	180.945	131.370	268.580	180.968
Cash at the end of the period	1.818.819	1.818.819	268.467	1.818.895	1.818.895	268.580
(Increase) decrease in cash and equivalents	1.682.518	1.550.352	87.522	1.687.525	1.550.315	87.612

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Statement of value added

December 31,2008 and 2007

(In thousands of Reais)

	BICBANCO			BICBANCO Consolidated		
	2nd 2008	2008	2007	2nd 2008	2008	2007
Income	1.736.047	2.230.049	823.962	1.745.481	2.232.867	822.253
Financial intermediation	1.948.655	2.533.449	969.399	1.952.499	2.523.354	968.575
Fees for services rendered	25.198	52.481	42.506	25.872	53.805	42.869
Allowance for loan losses	(200.335)	(273.675)	(140.030)	(202.701)	(277.265)	(138.667)
Other	(37.471)	(82.206)	(47.913)	(30.189)	(67.027)	(50.524)
Financial intermediantion expenses	1.380.631	1.490.565	286.796	1.382.047	1.489.804	277.359
Inputs acquired from third parties	51.367	88.522	98.537	52.495	90.639	98.292
Materials, energy and other	14.982	30.040	27.160	15.088	30.178	27.188
Outside services	29.847	53.961	65.227	31.052	55.986	65.728
profit/recovery assets value	6.538	4.521	6.150	6.355	4.475	5.376
Gross value added	304.049	650.962	438.629	310.939	652.424	446.602
Depreciation and amortization	10.083	18.150	8.398	10.083	18.150	8.398
Net value added produced by the	293.966	632.812	430.231	300.856	634.274	438.204
Value added received in transfer	3.442	5.399	5.936	17	191	70
Equity in earnings	3.425	5.364	5.883	-	-	-
Other	17	35	53	17	191	70
Value added to distribute	297.408	638.211	436.167	300.873	634.465	438.274
Value added to distribute						
Personnel	70.391	145.565	115.411	70.480	145.654	115.411
Direct remuneration	59.421	125.119	99.889	59.487	125.185	99.889
Benefits	6.748	12.858	9.777	6.766	12.876	9.777
FGTS	4.222	7.588	5.745	4.227	7.593	5.745

Taxes,fees and contribuions	99.535	160.367	133.111	102.440	160.660	135.218
Federal	95.274	152.480	128.267	97.729	152.084	130.208
State	135	429	417	135	429	417
Mucicipal	4.126	7.458	4.427	4.576	8.147	4.593
Third-party capital compensation	3.977	7.565	5.704	4.031	7.620	5.704
Rentals	3.977	7.565	5.704	4.031	7.620	5.704
Shareholders' equity compesation	123.505	324.714	181.941	123.922	320.531	181.941
Interest on shareholder's equity	47.720	95.440	53.800	47.720	95.440	53.800
Dividends	31.000	31.000	-	31.000	31.000	-
Retained earnings/loss the year	44.785	198.274	128.141	45.202	194.091	128.141

See the accompanying notes to the financial statements.

Banco Industrial e Comercial S.A. and BICBANCO Consolidated

Notes to the financial statements

Years ended December 31, 2008 and 2007

(In thousands of Reais)

1 Operations

Banco Industrial e Comercial S.A. is a private owned publicly listed company, established on December 29, 1938, operating as a “Multiple Bank”, with trade, investment, real estate, credit, financing and investment and foreign exchange portfolios.

On September 17, 2007 the Bank obtained from the Securities and Exchange Commission of Brazil (CVM), its register as “listed company” with the corresponding issue of 42,862,230 preferred shares placed in the market pursuant to the public offering conducted at the São Paulo Stock Exchange, or BOVESPA, on October 10, 2007. The gross proceeds from the primary offering of preferred shares, totaled R$ 492,916 and the net of tax offering expenses, including commissions, amounted to R$ 13,144 (net of tax effects), which amounts were fully recognized in the results of the last quarter of 2007.

The Bank’s operations are undertaken within the context of a group of institutions that operates in an integrated manner in the financial market, with certain operations involving the participation or intermediation of associated institutions, members of the financial system, whose activities include lease portfolios, investment fund management, and foreign exchange and securities brokerage and distribution. The benefits of the services provided by these institutions and the costs of the operational and administrative structures are absorbed, depending on the practicability of attributing these costs to these institutions, either on a centralized basis or allocates to the individual companies.

2 Presentation of the financial statements

The Financial Statements of Banco Industrial e Comercial S.A. including the Overseas Branch, (BICBANCO) and the Consolidated Financial Statements of the Bank and its subsidiaries and the credit receivable investment funds - (BICBANCO CONSOLIDATED) - were prepared on the basis of the Brazilian Corporate Law 6404/76, having being adopted by the first time in 2008 the amendments introduced by the Law 11638/07; the rules enacted from the National Monetary Council (CMN); the Brazilian Central Bank and the Brazilian Securities Exchange Commission (CVM).

As of 2008 Financial Statements, the presentation of the "Statement of Changes in Financial Position" is no longer mandatory, in compliance with the CMN (National Monetary Council) Resolution 3604/08 and the Technical Opinion 03 (CPC 03) from the Brazilian "Comitê de Pronunciamentos Contábeis - CPC". Thus, a "Cash flow - indirect model" is presented for December 31, 2008, compared to the 2007 fiscal year.

Taking into consideration that, the control, the risks and benefits over receivables assigned to the "FIDCs" "Credit Receivables Investment Fund " and the "BICBANCO-Saúde Garantida - Credit Receivables Investment Fund", remains under the responsibility of the Bank (receipt, transfer and collection) and that it fulfills other conditions for consolidation established in Circular Official Letter CVM 01/07. The Management of the Bank consolidated the Financial Statements of the FIDCs to the Consolidated Financial Statements.

The "FIDC - Consigned Personal Credit" was organized in March 2008 under the terms of the regulations in force, intended for qualified investors, with the characteristics of a closed-ended fund, originating from loan operations and with an indefinite term.

BICBANCO subscribed to all the subordinated quotas in the amount of 50,475 quotas. The senior quotas amount to 150,000 quotas, totaling 200,475 quotas that comprise the fund.

The "FIDC - BICBANCO-Saúde Garantida" was organized in July 2008 under the terms of the regulations in force, intended for qualified investors and investment funds organized as "CVM Instruction 409/04" with the characteristics of a closed-ended fund, originating from loan operations and with an indefinite term. BICBANCO subscribed to all the subordinated quotas in the amount of 50,000 quotas, which added to the 200,000 senior quotas totals 250,000 compounding the "FIDC - BICBANCO-Saúde Garantida".

In the individual Financial Statements of the Bank, the subordinated quotas are presented in non- current asset - “Securities and derivative financial instruments - Own portfolio”.

The financial position of FIDCs were as follows:

	2008	2007
Assets		
Cash and cash equivalents	10	-
Federal government bonds	11,246	-
Credit receivables	268,694	-
Other receivables	2,675	-
		-
Total assets	282,625	-
Liabilities		
Other liabilities	95	-
Shareholders’ equity	282,530	-
Senior quotas of BICBANCO’s FIDC	201,078	-
Subordinated quotas of BICBANCO’s FIDC	81,452	-
Total liabilities	282,625	-

3 Description of significant accounting practices

a. Statement of income

Income and expenses are recorded on an accrual basis.

b. Accounting estimates

The preparation of the Financial Statements in accordance with accounting practices adopted in Brazil requires that the Management use its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include: the allowance for doubtful loans, the technical studies to estimate the periods for tax credits realization, the assessment of liabilities and contingencies for its provisions, the losses for decline in the value of assets and the valuation of derivative financial instruments. The actual amounts required to settle these transactions may be different from the amounts estimated due to the lack of precision inherent in the estimation process. BICBANCO reviews the adequacy of the estimates and assumptions at a minimum, every three months.

c. Currency of the financial statements, foreign currency

The financial statements are presented in “Brazilian Reais” (R$), which is the BICBANCO’s functional currency.

The monetary assets and liabilities denominated in foreign currency have been converted into

Brazilian Reais at the foreign exchange rate effective as of the date of the balance sheet, and the related exchange variations have been recognized in the results for the year. The assets and liabilities concerning the branch located abroad have been converted into Brazilian Reais at the foreign exchange rate effective as of the date of the balance sheet.

d. *Cash and cash equivalents*

Cash and cash equivalents corresponds to the sum of liquid assets in local or foreign currency, open-market investments, inter-bank investment deposits and own portfolio of securities, generally those with maturity under 90 days, with insignificant losses, if any, in the process to be turned into cash, used by the Bank in the management of its short term liabilities.

e. *Current and non-current assets*

e.1 Interbank funds applied

These are recorded at cost including accrued income until the balance date.

e.2 Securities and derivative financial instruments

Securities

According to the Brazilian Central Bank rules (Circular 3068/01), the classification and evaluation of securities are defined as follows:

- **Trading securities** - Securities acquired for the purpose of being actively and frequently traded are adjusted to their market value, with the corresponding entry recorded to the income statement for the period.

- **Securities available for sale** - Securities that are not available for trading or held to maturity are adjusted to their market value with unrealized gains and losses are recorded in a separate account in shareholders' equity, net of any tax effects.

- **Securities held to maturity** - Securities acquired and held with the intention and financial ability to be held by the institution as part of its portfolio until their maturity date which are evaluated at acquisition cost, plus income earned. Interest income is recorded in the income statement.

Derivative financial instruments

Derivative financial instruments are generally valued based on their fair values, with unrealized gains and losses recorded in income for the period. In situations where the derivative financial instruments, under the terms of Brazilian Central Bank Circular 3082/02, are classified as cash flow hedges, the unrealized gains and losses are either totally or partially recorded to a specific account in shareholders' equity, net of tax effects. Market value adjustments are not recognized in the accounting records when the derivative financial instruments are contracted in connection with funding or investment operations, under the terms of Brazilian Central Bank Circular 3150/02.

e.3 Credit operations and allowance for credit losses

Credit operations are classified in nine different risk levels (from AA through H), taking into consideration factors such as the value of the loans, existing guarantees, characteristics of the clients, the extent to which the loans are overdue, market conditions, past experience and specific and overall risks of the portfolio, according to the methods stated in Resolution 2682/99 of CMN (the Brazilian National Monetary Council) and Bacen (the Brazilian Central Bank). The ratings are assigned initially when the loan is made and thereafter are reevaluated on a monthly basis if a loan is in arrears. Revenues from loans overdue up to 60 days are accrued as “loan income”. As from the 61st day, such revenues are recorded as “unearned income”.

Overdue loans classified as “H” are retained in this category for six months. After that, they are written-off as losses.

The allowance for credit losses is calculated taking into consideration the classification of the loan in one of nine different risk levels. The allowance is increased by new provisions and recoveries of loans previously charged off, and is reduced by charge-offs and reversals of provisions. The CMN (National Monetary Council) rules specify a minimum allowance for loans losses and other extensions of loans in each rating category ranging from 0% (in the case of a loan that is not in arrears) to 100% (in the case of any loan that is more than 180 days in arrears) - (Note 9c).

The Bank’s management, in view of the international financial turmoil, and based on the new economic and financial conditions of its borrowers, revised the criteria and increased the minimum percentage of provisions for loan losses attributed to the level of risk from “C to G”, of its loan portfolio.

e.4 Other current and non current assets

They are presented by the net value of realization.

f. Permanent assets

1. Investments in subsidiaries are valued using the equity method.

2. Fixed assets, stated at cost, are depreciated using the straight line method based on annual rates that take into consideration the useful lives of the assets, as follows: property - 4%, fixtures, fittings, communication systems and facilities - 10%, data processing system and vehicles - 20%.

3. Intangible assets comprise “Software”, stated at cost, amortized by linear method and taking into consideration the useful lives of the assets of 20%.

4. The “Deferred Assets” comprises investment and acquisition of software’s and benefits on third parties’ real estate, incurred until December 31, 2007, with annual amortization rate of 20% or by the term of the contracts, if it is under five years.

g. Impairment of assets

Losses for decline in the value of assets are recognized in the results of the period, whenever its accounted value exceeds its recoverable, or cash generation value.

A cash generation unit is the lowest group of identifiable assets substantially independent of other groups and assets, capable of cash flow generation.

h. *Current and non-current liabilities*

Stated at contractual or estimated amounts, including, when applicable, charges and monetary variation (on a daily pro rata basis) and foreign exchange variation.

Income tax and social contribution are recorded in "Other liabilities - Tax and social security contributions" calculated on the book income adjusted by additions and exclusions, at the rate of 15%, plus a surcharge of 10% above a determined limit for income tax and at the rate of 9% until April 2008 and of 15% for the period as of May 2008, on the income before income tax for social contribution. The deferred Income Tax and Social contribution calculated based on the income ratios at the balance sheet date, and are registered in the account "other receivable - others".

i. *Debt issue costs*

The expenses related to the issuing of debt securities are recorded in a liability-account of deferred expenses, accrued according to the term of the operations.

j. *Contingencies and legal obligations*

The recognition, measurement and disclosure of contingent asset and liabilities contingencies and legal obligations is performed in accordance with criteria defined by the Securities and Exchange Commission of Brazil (CVM) Deliberation 489/05, which came into effect on January 1st, 2006:

- **Contingent assets** - Are not recognized on-balance, except when there is a favorable judicial decision, for which no appeals are permitted, characterizing the probability of the contingent asset realization as practically certain. Contingent assets with a likely success of realization are disclosed in a note to the Financial Statements (Note 24).

- **Contingent liabilities** - Are recognized on-balance when the opinion of legal advisors is that the chance of loss is probable. Cases where the likelihood of loss is considered possible are disclosed in a note to the Financial Statements (Note 24).

- **Legal obligations** - Are recognized on-balance regardless of the evaluation of the loss probability during the course of the judicial proceeding.

k. *Consolidated financial statements*

The Consolidated Financial Statements include the FIDCs (note 2) and the subsidiaries below listed and were prepared in accordance with the consolidation principles of Law 6404/76 and amendments of Law 11638/07, which require Leasing operations to be recorded using the financial method, with reclassification of "Fixed Assets for Leasing Operations" to "Lease Operations" account, deducted from the "anticipated residual value". Equity balances and results between subsidiary companies were eliminated upon consolidation.

Investment - 2008 and 2007	%
BIC Arrendamento Mercantil S.A.	100
BIC Distribuidora de Títulos e Valores Mobiliários S.A.	100
BIC Informática S.A.	100
BIC Administradora de Cartões de Crédito S/C Ltda.	100

l. Reconciliation of net income and Shareholders' Equity of BICBANCO and BICBANCO Consolidated

BICBANCO and Bicbanco Consolidated	2008	2007
Net income of BICBANCO	324,713	-
Elimination of results on Credit Assignment to FIDC	(27,596)	-
Elimination of expenses and tax on assignment to FIDC	20,586	-
Earnings from FIDC in the period (*)	2,828	-
Net income of BICBANCO Consolidated	320,531	-

	BICBANCO and BICBANCO Consolidated	
	2008	2007
Shareholders' Equity of BICBANCO	1,689,267	-
Elimination of results from Credit Assignment to FIDC	(27,596)	-
Elimination of expenses and tax on assignment to FIDC	20,586	-
Earnings of FIDC in the period (*)	2,828	-
Consolidated Shareholders' Equity	1,685,085	-

(*) Accrued according the terms of contracts, in the BICIBANCO Consolidated.

4 Cash and cash equivalents and Interbank funds applied

a. Cash and banks

	BICBANCO		BICBANCO Consolidated	
	2008	2007	2008	2007
Cash	1,291	1,624	1,329	1,647
Foreign currency investments, abroad (*)	198,815	138,185	198,854	138,275
Total	200,106	139,809	200,183	139,922

(*) Of which, the amount of R$ 179,961 (Dec/2007 - R$ 61,610) is revenue generating at an average interest rate of 1.94% p.a. (Dec/2007- 3.15% p.a.).

b. Open market

	BICBANCO and BICBANCO Consolidated	
	2008	2007
Up to 30 days	717,217	-
From 31 to 90 days	-	9,002
From 91 to 360 days	190,000	-
Over 360 days	600,185	-
Total (*)	1,507,402	9,002

(*) Classified as "Current Assets" for its characteristics of liquidity.

c. *Interbank deposits*

	BICBANCO and BICBANCO Consolidated	
	2008	2007
Due up to 30 days	13,721	4,069
From 31 to 90 days	16,843	5,053
From 91 to 360 days	13,081	-
Over 360 days (*)	42,295	127,901
Total	85,940	137,023

(*) Refers to Interbank deposits for coverage of credit risk with long term swaps, linked to securities issued abroad.

d. *Foreign currency*

	BICBANCO and BICBANCO Consolidated	
	2008	2007
Due up to 30 days	61,464	110,003
From 31 to 90 days	27,106	531
From 91 to 360 days	-	204
Total	88,570	110,738

5 Securities

a. The Bank's policy

The securities are valued, as to their distribution, upon acquisition and the portfolio formed is valued at every semi-annual balance sheet. BICBANCO has the intention and the financial capacity to hold the securities classified as "held to maturity" until their maturity dates.

b. Composition of securities by type and category

	BICBANCO Consolidated 2008							BICBANCO 2008
	No maturity	Up to 90 days	90 to 360 days	Over 360 days	Total book value	Accrued cost value	Market Value	Total book value
Securities for trading								
Own portfolio								
Financial Treasury Bills	-	11,246	5,031	55,499	71,776	71,819	71,776	60,530
National Treasury Bills	-	4,997			4,997	4,998	4,997	4,997
National Treasury Notes-B	-	-	-	17,818	17,818	17,434	17,818	17,818
National Treasury Notes-C	-	-	-	19	19	18	19	19
National Treasury Notes-F	-	-	-	101,997	101,997	103,618	101,997	101,997
Deposit Certificates	-	6,723	-	-	6,723	6,810	6,723	6,723
Variable income portfolio	9,797	-	-	-	9,797	9,618	9,797	9,797
Subject to repurchase commitments								
Financial Treasury Bills	-	-	-	1,800	1,800	1,801	1,800	1,800
Subject to guarantees								
National Treasury Bills	-	-	-	52,404	52,404	53,236	52,404	52,404
Financial Treasury Bills			69,505	4,621	74,126	74,159	74,126	74,126
Securities held to maturity								
Own portfolio								
FIDC - Quotas	-	-	-	-	-	-	-	81,452
Eurobonds	-	-	-	25.189	25.189	28.322	25.189	25.189
Debentures	-	-	2,446	-	2,446	2,446	2,446	2,446
Total in 2008	9.797	22.966	76.982	259.347	369.092	374.279	369.092	439.298
Total in 2007	31,314	754,374	207,780	1,115,161	2,108,629	2,119,260	2,108,629	2,108,203

The government securities are recorded in the Special System for Settlement and Custody (Selic) of the Brazilian Central Bank, and the corporate bonds in the Clearing House for the Custody and Settlement of Securities (CETIP). Shares are recorded in the Brazilian Company for Settlement and Custody (CBLC). Eurobonds are recorded in CEDEL and FIDC's quotas are controlled by the Fund Administrator.

The market value of government securities were calculated on the basis of quotations available on the secondary market, published by The National Association of Financial Market Institutions (ANDIMA). The shares that comprise the variable income portfolio were adjusted based on the average negotiated quotation on the last business day, or in the absence of such, on the last quotation available in the stock exchange. The remaining securities were valued at BM&F BOVESPA market rates; the investment funds by the value of quotas released by the Administrator.

c. Composition of securities by indexer

BICBANCO Consolidated
2008

	Fixed rate	Dollar	Selic	CDI	IPCA	Others	Total
Shares	-	-	-	-	-	9,797	9,797
Deposit certificates	6,723	-	-	-	-	-	6,723
Debentures	-	-	-	2,446	-	-	2,446
Eurobonds	-	25,189	-	-	-	-	25,189
Financial Treasury Bills	-	-	147,702	-	-	-	147,702
National Treasury Bills	4,997	-	-	-	-	-	4,997
National Treasury Notes (NTN-B)	-	-	-		17,818	-	17,818
National Treasury Notes (NTN-C)	-	-	-	-	-	19	19
National Treasury Notes (NTN-F)	154,401	-	-	-	-	-	154,401
Total	166,121	25,189	147,702	2,446	17,818	9,816	369,092

	BICBANCO Consolidated 2007						
	Fixed rate	Dollar	Selic	CDI	IPCA	Others	Total
Shares	-	-	-	-	-	30,888	30,888
Deposit certificates	3,023	-	-	-	-	504	3,527
Debentures	-	-	-	8,069	-	-	8,069
Eurobonds	-	29,852	-	-	-	-	29,852
Financial Treasury Bills	-	-	1,160-	-	-	-	1,160
National Treasury Bills	1,866,334	-	-	-	-	-	1,866,334
National Treasury Notes (NTN-B)	-	-	-	-	16,595	-	16,595
National Treasury Notes (NTN-C)	-	-	-	-	-	18	18
National Treasury Notes (NTN-F)	150,233	-	-	-	-	-	150,233
Short term notes	-	1,527	-	-	-	-	1,527
Others	-	-	-	-	-	426	426
Total	2,019,590	31,379	1,160	8,069	16,595	31,836	2,108,629

d. Repurchase/resale commitments - Own portfolio

BICBANCO enters into repurchase or resale agreements (“Repos”) for the purposes of treasury & liquidity management. The balances and net results of these transactions are presented below:

	BICBANCO Consolidated - 2008		
Current assets			
Securities/derivative financial instruments subject to resale commitments - ‘Repos’	1,800	Income from Repo Transac. (Note 30.b)	29,283
Current liabilities			
Money Mark. Rep. Commitments - Repos - Own portfolio	1,798	Expenses from ‘Repo’ oper. (Note 30.e)	(29,768)
		Net result	(429)

	BICBANCO Consolidated - 2007		
Current assets			
Securities and derivative financial instruments subject to resale commitments - 'Repos'	1,352,040	Income from 'Repo' oper. (Note 30.b)	144,502
Current Liabilities			
Money Mark. Rep. Commitments - Repos			
- Own Portfolio	1,348,687	Expenses from 'Repo' oper. (Note 30.e)	(143,020)
		Net result	1,482

6 Derivative financial instruments portfolio

a. Financial instruments - "CVM Instruction 475/08 and Deliberation 550/08"

The accounting value of the financial instruments registered or not in the balance sheet is close to that which could be obtained by negotiation in the market, or in its absence, it is near to the present value of adjusted cash flow by the interest rate prevailing in the market.

The principal financial instruments as above referred are as follows:

	2008			
	BICBANCO		BICBANCO Consolidated	
	Book value	**Market value**	**Book value**	**Market value**
Assets				
Securities	439,298	442,432	369,092	372,225
Derivatives (net value)	244,121	239,114	244,121	239,114
Loans and lease operations	7,673,417	7,760,683	8,066,420	8,150,982
Liabilities				
Interbank deposits	338,044	338,889	338,044	338,889
Time deposits	3,884,686	3,973,925	3,816,299	3,905,538
Securities issued abroad	1,010,317	1,193,507	1,010,317	1,193,507
Debentures	-	-	112,140	115,894
Subordinated debt	285,725	295,312	285,725	295,312

The market value of Loans, Interbank Deposits and "pre-fixed" Time Deposits were calculated in accordance with the market interest rate published by "BM&F BOVESPA" (the Brazilian Futures and Commodities Exchange), based on the discount at market interest rate and its cash flow.

The market value of "Securities issued abroad" were calculated in accordance with the market interest rate published by "BM&F BOVESPA" (the Brazilian Futures and Commodities Exchange), based on the discount at market interest rate and its cash flow.

b. Derivatives

b.1 The adopted policy for the use of derivates. The Bank performs traditional derivative operations, which aim at meeting the clients' needs, as well as at executing its risk management policy as a way to minimize the risks arising from commercial and financial operations. The derivative instruments traded are acquired for two basic functions:

- **Hedge -** for the realization of hedge of structural portfolio;

- **Trading** - as an instrument to contract own portfolio and of derivatives risk management traded with clients which aim at managing market risks arising basically from floating interest rates, exchange rate and asset prices.

Most derivative contracts negotiated with clients in Brazil consist of swap and futures operations, all registered at the BM&F BOVESPA S.A. - Securities, Commodities and Futures Exchange) or at the Clearing House for the Custody and Financial Settlement of Securities (CETIP). The contracts of import declaration (DI) and dollar at BM&F BOVESPA are mainly used as an instrument for hedging financing rates offered to clients for terms or currencies that do not match those of the funds used to fund them. Abroad, there is the performance of operations using NDF (Non Deliverable Forward) derivative contracts with the objective of hedging the funds raised abroad.

BICBANCO enters into Swap operations in order to “hedge” its securities issued abroad, (subordinated debts), which are recorded in compliance with Circular 3150 of “Bacen”. The book value at the date of balance sheets, shows a “differential to pay” of R$ 27,940 (Dec/2007 - R$ 81,822) with corresponding “market value - differential to pay” of R$ 32,947 (Dec/2007 - R$ 89,061).

b.2 Risk management: BICBANCO operates with derivative financial instruments as a part of the range of products offered to its clients and to meet its own necessity related to the management of market risks which arise, basically, due to the normal mismatches between currencies, interest rates, indices and terms of its asset and liability operations. The derivative financial instruments represent future commitments to swap currency or index, or to purchase and sell financial assets on dates and terms previously established in contract.

BICBANCO adopts the policy of minimizing exposure to market risks consistent with its main business operation, which is the granting of loans. Risk management is performed directly by the top management through instruments previously tested and evaluated.

The strategy of exchange risk management for the capital invested abroad has the purpose of avoiding impacts on the income deriving from exchange variation. In order to fulfill this purpose, the exchange risk is neutralized and the investments are remunerated in Reais through the use of derivative financial instruments.

b.3 Strategies and parameters used for risk management for each market operation strategy: The main risk factors of the derivatives contracted on December 31, 2008 are related to exchange rate, interest rate, dollar and variable income coupon, which aim to maximize the return-risk ratio, even in circumstances of high volatility. The risk management control of the portfolios is performed through the use of systems, such as: VaR, Profitability and Liquidity Risk.

b.4 Criteria for valuation and measurement, methods and assumptions used in the determination of the market value. Normally the prices quoted at the stock exchange are the best ones to give a parameter of the Market Fair Value of the Financial Instruments. However, not all instruments present liquidity or even quotations, fact which requires the adoption of estimates at present value and other pricing techniques. To obtain these market values the following criteria are adopted:

- Futures and Forward: quotations on stock exchanges;

- Swap: the cash flow of each of its parties is discounted at present value, according to the corresponding interest curves, which are obtained based on BM&F BOVESPA or market prices of government bonds for local operations (in Brazil), and based on the price of the overseas stock exchanges for the operations performed abroad.

- Options: statistical models that incorporate the behavior of the price of the asset, purpose of the contract, interest, the price of exercising and the spot price of the good.

b.5 Recording of the amounts: The balances deriving from these operations are recorded in memorandum and equity accounts, in accordance with the specific rules issued by the Central Bank of Brazil.

In terms of accounting, the derivative instruments are classified, according to the management's intention in the use of them as a hedge or not, in accordance with the Bacen Circular 3082 of January 30, 2002. The operations which use financial instruments, performed as per the request of clients, or those which do not comply with the hedge criteria (mainly derivatives used to manage the overall risk exposure), are recorded at the market value, including the gains and losses realized and non realized, recognized directly in the statement of income. The results of the referred transactions are stated at Note 30c.

Operations outstanding at December 31, 2008 were as follows:

	Differential receivable	Differential payable	Net position for contracts maturing within 3 months	Net position for contracts maturing between 3 and 12 months	Net position for contracts maturing after more than 12 months	Net position of contracts - Total
Swap contracts						
Interbank market	22	47,139	(20,875)	(309,201)	(504,049)	(834,125)
Foreign currency	98,716	-	20,875	309,201	524,049	854,125
(IPCA)	25	-	-	10,000	-	10,000
General Market Price Index (IGPM)	864	1,756	-	(10,000)	(20,000)	(30,000)
Subtotal	99,627	48,895				
Market value adjustment	(13,721)	(1,335)				
Total	85,906	47,560				
Forward NDF - Sell	182,651	4,703	(437,544)	(92,788)	(524,362)	(1,054,694)
Forward NDF - Buy	27,827	-	29,750	25,818	100	55,668
Subtotal	210,478	4,703				
Total	296,384	52,263				
Future contracts						
Buy - Interbank market	-	-	59,939	48,493	148,894	257,326
Buy - IND	-	-	9,554	-	-	9,554
Buy - foreign currency	-	-	185,988	-	-	185,988
Sell - DDI	-	-	(95,463)	(62,950)	-	(158,413)

Operations outstanding at December 31, 2007 were as follows:

	Differential receivable	Differential payable	Net position for contracts maturing within 3 months	Net position for contracts maturing between 3 and 12 months	Net position for contracts maturing after more than 12 months	Net position of contracts - Total
Swap contracts						
Interbank market	70	216,909	(90,724)	(112,038)	(715,621)	(918,383)
Prefixed		31	46,702	-	-	46,702
Foreign currency	70	3	54,022	152,038	715,621	921,681
General Market Price Index (IGPM)	1,510	3,342	(10,000)	(40,000)	-	(50,000)
Subtotal	1,650	220,285				
Market value adjustment	356	5,204				
Total	2,006	225,489				
Forward NDF - sell	378	9	(9,387)	-	-	(9,387)
Foward NDF - buy	4	3,958	20,560	14,284	-	34,844
Forward Stocks - buy - to settle	19,727	-	19,727	-	-	19,727
Forward Stocks - liabilities - buy	-	20,047	20,047	-	-	20,047
Premium - stock options - sell	-	208	(2,400)	-	-	(2,400)
Premium options - dollar - buy	35		2,443	-	-	
Premium options - dollar - sell	-	1,616	(117,604)	-	-	(117,604)
Subtotal	20,144	25,838				
Total	22,150	251,327				
Future contracts						
Buy - IND	-	-	4,505	-	-	-
Sell - Foreign currency	-	-	(122,137)	-	-	(122,137)
Sell - Interbank market	-	-	(194,753)	-	(642,921)	(837,674)

The swap operations are registered in the Futures and Commodities Exchange (BM&F BOVESPA) and in the Clearing House for the Custody and Settlement of Securities (CETIP). The operations performed in the future market are registered in the Futures and Commodities Exchange (BM&F BOVESPA).

The amount of guarantees given for transactions involving derivative financial instruments has the following composition:

		BICBANCO and BICBANCO CONSOLIDATED			
		2008		2007	
Security	**Due date**	**Book value**	**Market value**	**Book value**	**Market value**
Financial Treasury Bills - LFT	06/07/2010	4,621	4,621	-	-
Financial Treasury Bills - LFT	12/16/2009	18,075	18,075	-	-
National treasury Bills - NTN-F	01/01/2010	52,404	52,404	-	-
Financial Treasury Bills - LFT	03/19/2008	-	-	1,160	1,160

b.6 Sensitiveness - Qualitative and quantitative information on the Derivative Financial Instruments

The sensitiveness chart is presented as a market risk management tool, very helpful when there are breaks of historical patterns.

This valuation is realized by the Bank's risk management department and reviewed by the Treasury Committee, which defined a series of scenarios in a crisis environment.

A scenario is determined by a combination of prices and interest rates. The preparation of the chart follows the following parameters:

(i) The trading portfolio is measured in each scenario.
(ii) For each of risk factors, it is chosen the highest loss outcome and certain increases and reductions were applied.
(iii) Finally, it was applied loss scenarios, corresponding to hypothetical scenarios.

Risk Factor Assumptions					
	Prefixed rate in reais	**US$ coupon**	**US$ Spot**	**Shares and indexes**	**Inflation**
Scenario 1	+ 100 **basis points**	+ 100 **basis points**	reduction of 10%	reduction of 10%	Increase of 10%
Scenario 2	+ 250 **basis points**	+ 250 **basis points**	Reduction of 25%	reduction of 25%	Increase of 25%
Scenario 3	+ 500 **basis points**	+ 500 **basis points**	Reduction of 50%	reduction of 50%	Increase of 50%

The scenarios presented in the table reflect a deterioration in the macroeconomic expectations: interest rates (prefixed and exchange coupon) increase sharply (1%, 2.5% and 5%), the exchange rate suffers a devaluation, the Brazilian Stock Exchange goes down and inflation rates rise, facts which reflect on the indices and indexed contracts. The tendency that was chosen (increase or decrease) was the one the maximizes the loss for each risk factor. The parallel movements of the curves were kept the same, i.e., a movement of more than 100 basic points means that in the entire future curve there was an accrual of 1% to the rates in force.

The specific combination of prices that configure each scenario is based on an arbitrary decision; although plausible, neither the signals of the historical correlations between the assets were necessarily complied with, nor the scenarios chosen were seen in the past.

The first scenario corresponds to a shock of 100 basis points on the coupon curves of foreign currencies plus a shock of 10% on the demand positions of currencies and stock exchange, in addition to a shock of 100 basis points on the volatility surface of currencies used for the pricing of options.

The second scenario corresponds to a shock of 250 basis points on the coupon curves of foreign currencies plus a shock of 25% on the demand positions of currencies and stock exchange, in addition to a shock of 250 basis points on the volatility surface of currencies used for the pricing of options.

The third scenario correspond to a shock of 500 basis points on the coupon curves of foreign currencies plus a shock of 50% on the demand positions of currencies and stock exchange, in addition to a shock of 500 basic points on the volatility surface of currencies used for the pricing of options.

The income deriving from the losses calculated in the scenarios aforementioned are shown in the chart below:

Risk factor	**Scenario I**	**Scenario II**	**Scenario III**

US$ coupon	(4,939)	(12,281)	(24,343)
Prefixed rate in reais	(2,494)	(6,154)	(12,047)
Shares and indexes	(1,939)	(4,848)	(9,695)
Inflation	(592)	(1,454)	(2,825)
Total	(9,964)	(24,736)	(48,910)

The Sensitiveness Analysis Chart above summarizes the gains and losses arising from the market fluctuations by risk factor, under three stress scenarios, which were generated by BICBANCO's systems and calculated daily.

The risk factors presented are the following:

- **USD Coupon** - It includes all products that present price variations pegged to variations of the US dollar and of the interest rate in dollars.

- **Other currencies coupon** - It comprises all products that present price variations pegged to the variations of any currencies other than the US dollar and interest rate in dollars.

- **Prefixed rate in reais** - it includes all products that present price variations pegged to the interest rate variations denominated in Reais.

- **Shares and Indexes -** They comprise shares and indexes of stock exchanges, shares and options pegged to share indexes.

- **Inflation -** It refers to all products whose price variation is pegged to the variations in inflation coupons and inflation indexes.

- **Other** - They comprise any other products that do not fall within the classifications above.

For the calculation purposes the assumptions of a confidence interval of 99% for the VaR calculation and a timeframe of 10 days to exit the position were adopted.

The Sensitiveness Analysis chart shows exclusively the financial exposures classified as trading portfolio (*Trading Book*), in accordance with the classification criteria of the operations foreseen in Resolution 3464/07 and in Circular 3354/07 of the Brazilian Central Bank, which are based on the portfolio concepts defined by Basle Agreement and which considers the Trading portfolio as that which represents the exposures that will have effects on the current income of the institution.

The Institution does not have derivative instruments, which may fit or not the hedge policy in the banking portfolio, which may have significant effects on the income. To support such statement, the overall portfolio's VaR, which considers both the trading books and the banking books, had an amount of R$ 29,477 thousand for a confidence interval of 95%, which represents a diminutive portion when compared to the institution's equity.

Accordingly, through the adoption of these criteria, the structural operations resulting from the various lines of business of the institution and their respective hedges (Banking Book) are not considered in the chart above, as any sensitiveness analysis that included them could generate inaccurate information, once they are recorded in the accounting, in its great majority, by the contracted curve, differently from the derivative financial instruments that endure fluctuations in the respective accounting record due to mark to market. In addition, the economic impact in a possible fluctuation of the interest rate may not necessarily represent a material profit or loss for the institution. The thorough analyses of the Risk Management area on the market risk performed daily through the VaR (Value at Risk) indexes and Stress Analysis, among others, reflect more appropriately the risk taken and the regulator itself - the Brazilian Central Bank - controls the risk of institutions by this criterion.

7 Interbank accounts - Deposits at the Central Bank

	BICBANCO and BICBANCO Consolidated	
	2008	**2007**
Brazilian Central Bank Compulsory Deposits (demand deposits)	15,865	21,211
Supplementary Brazilian Central Bank Compulsory Deposits (*)	-	228,360
Brazilian Central Bank Compulsory Deposits (saving deposits) (*)	100,538	102,884
Micro-finance destination of resources	1,866	1,239
Total	118,269	353,694

(*) For revenues generated, see note nº 30g.

8 Loans

a. Diversification by type of operation

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Working capital and discounts (*)	4,355,845	4,038,623	4,395,667	4,038,623
Secured accounts	873,735	1,007,881	873,735	1,007,881
Consigned personal credit (*)	149,283	477,390	378,930	477,390
Personal/consumer credit	82,164	156,866	82,164	156,866
Consigned personal - Assigned operations	5,948	27,329	5,948	27,329
Compror	50,470	120,747	50,470	120,747
Corporate Checks	72,817	36,705	72,817	36,705
BNDES repasses	6,470	38,543	6,470	38,543
Import financing	581,041	463,392	581,041	463,392
Export financing	734,003	221,705	734,003	221,705
Rural and agro-industrial financing	12,718	15,780	12,718	15,780
Real estate and housing	5,808	6,192	5,808	6,192
Resolution 2770 (former Resolution 63)	61,655	60,803	61,655	60,803
Vendor	9,193	-	9,193	-
Others	53,341	40,999	53,341	40,999
Loans	7,054,491	6,712,955	7,323,960	6,712,955
Guarantees and Sureties Honored	-	422	-	422
Debtors through purchase of assets	3,292	4,120	11,007	4,184
Notes and credits receivable	3,411	3,481	3,411	3,481
Advances on export contracts (**)	618,171	904,980	618,171	904,980
Other receivables	624,874	913,003	632,589	913,067
Leases	-	-	115,819	19,165
Subtotal	7,679,365	7,625,958	8,072,368	7,645,187
(-) Assigned operations with co-obligation	(5,948)	(27,329)	(5,948)	(27,329)

	BICBANCO		BICBANCO Consolidated	
	2008	2007	2008	2007
Total	7,673,417	7,598,629	8,066,420	7,617,858

(*) BICBANCO Consolidated is added of loans ceded to the BICBANCO's FIDC in Working Capital (R$ 39,822) and Consigned Personal Credit (R$ 229,647) totaling R$ 269,469. During 2007, there were no credits ceded to the FIDC.

(**) The "Advances on Export Contracts - ACC" are recorded in "Other liabilities - Foreign exchange portfolio". Income receivable on advances granted is recorded in "Other receivables - Foreign exchange portfolio". For purposes of presentation in this note, both amounts have been presented as "Other receivables".

b. *Diversification by activity*

	BICBANCO		BICBANCO Consolidated	
	2008	2007	2008	2007
Public sector	273,776	241,269	273,776	241,269
State Government	217,728	158,483	217,728	158,483
Federal Government	44,474	78,934	44,474	78,934
Municipal Government	11,574	3,852	11,574	3,852
Private sector	7,399,640	7,357,360	7,792,644	7,376,589
Agribusiness	140,573	82,421	141,023	82,421
Industry	3,892,584	3,650,939	3,930,891	3,661,743
Real Estate	269,911	183,675	294,370	193,998
Builders, Contractors & Undertakers	494,892	545,286	494,892	545,286
Sugar and alcohol refinery	871,985	711,409	875,905	711,409
Slaughterhouses and meat industry	287,977	159,814	287,977	159,814
Production of footwear and leather goods	22,610	52,689	22,610	52,689
Production of pipes and metalwork	172,569	172,242	173,649	172,242
Metallurgical & Mechanical Production	249,086	266,031	251,332	266,031
Production of electric and electronic goods	73,972	135,332	73,972	135,332
Production of threads and fabrics	109,105	95,724	109,661	95,724
Production of manures, fertilizers, Insecticides	161,257	85,870	161,257	85,870
Production of flour, pasta, cakes and biscuits	295,475	242,080	296,542	242,080
Tobacco industry	68,417	107,269	68,417	107,269
Chemical and petrochemical industry	147,054	126,508	147,128	126,508
Manufactur. of vehicles, body parts and others	253,325	260,648	253,396	260,648
Beverage industry in general	27,273	41,739	27,273	41,739
Plastic packaging manufacturing	50,656	49,823	50,656	49,823
Pulp and paper manufacturing	38,067	67,797	38,067	67,797
Clothing industry	26,271	31,699	26,488	31,699
Graphic arts services	31,161	36,149	31,554	36,630
Vegetal and mineral extraction	32,124	26,581	35,921	26,581
Furniture manufacturing	29,655	36,485	29,655	36,485
Building material industry	100,368	106,488	100,540	106,488
Toys manufacturing	8,482	6,796	8,482	6,796
Others	70,892	102,805	71,147	102,805
Commerce	809,296	899,230	811,836	900,085
Supermarkets and wholesalers	89,685	141,507	89,685	141,507
Vehicle dealerships and sale yards	140,573	106,455	140,573	107,023
Import/export of agricult. Products & foodstuffs	15,899	74,105	15,965	74,105
Commerce of clothing and fabrics	52,393	54,977	52,393	54,977

	BICBANCO		BICBANCO Consolidated	
	2008	2007	2008	2007
Commerce of electric and electronic products	34,349	31,477	34,823	31,477
Commerce of books, magazines and newspapers	15,293	14,470	15,293	14,545
Commerce of medicines	73,375	32,856	73,375	32,856
Commerce of furniture and items for decoration	10,538	10,866	10,538	10,866
Commerce of petroleum derivatives	24,461	44,434	24,816	44,434
Commerce of building material	13,892	10,518	14,132	10,518
Commerce of footwear and leather goods	472	3,597	472	3,597
Commerce of haberdashery in general	1,197	549	1,197	549
Commerce of other chemical products	83,913	58,927	83,913	59,139
Commerce of machinery and equipments	46,307	109,776	46,307	109,776
Commerce of agricultural and cattle products	86,363	51,814	86,363	51,814
Trading companies	36,023	49,200	37,428	49,200
Others	84,563	103,702	84,563	103,702
Financial intermediation	96,833	193,116	96,833	193,116
Other services	2,202,228	1,883,419	2,323,691	1,890,275
Production cooperatives	54,231	95,784	54,231	95,784
Distribution of power	115,343	8,406	115,343	8,406
Passenger and cargo transportation	260,585	250,145	295,986	251,325
Technical and professional services	305,190	262,868	309,493	266,119
Education	157,679	130,792	158,121	130,834
Holdings in general	130,535	83,349	133,107	83,349
Renting in general	112,365	59,699	138,748	60,958
Medical and dental services	364,631	370,713	404,767	370,741
Accommodation services	37,099	42,860	37,099	42,860
Cleaning, preservation and surveillance services	21,239	14,742	23,229	14,742
Communication and entertainment services	47,976	42,991	47,976	42,991
Metallurgical Services	20,021	23,492	20,472	23,492
Repairing, maintenance and installation services	119,114	81,344	119,114	81,344
Storage services	2,280	7,255	3,680	7,255
Telecommunication services	3,037	6,812	3,037	6,812
Public services	50,276	58,585	50,621	59,029
Unions and associations	46,044	60,998	46,044	61,048
Sports associations	100,097	119,498	100,953	119,619
Factoring companies	1,041	3,365	1,041	3,365
Cards administration	4,442	2,208	4,442	2,208
Others	249,004	157,513	256,187	157,994
Individuals	258,126	648,235	488,370	648,949
Total	7,673,417	7,598,629	8,066,420	7,617,858

c. *Diversification by term*

	BICBANCO				BICBANCO Consolidated			
	2008	**%**	**2007**	**%**	**2008**	**%**	**2007**	**%**
Public sector								
Due within 3 months	53,771	0,70	34,432	0,45	53,771	0,67	34,432	0,45
Due from 3 to 12 months	93,487	1,22	73,070	0,96	93,487	1,16	73,070	0,96
Due over 1 year	126,519	1,65	133,768	1,76	126,519	1,57	133,768	1,76
Private sector								
Due within 3 months	3,583,025	46,69	3,091,478	40,68	3,633,767	45,05	3,091,656	40,58
Due from 3 to 12 months	2,454,454	31,99	2,797,094	36,81	2,580,876	32,00	2,797,939	36,73
Due over 1 year	1,236,320	16,11	1,415,032	18,62	1,451,935	18,00	1,433,238	18,81
Overdue (from 15 days on)	125,841	1,64	53,755	0,72	126,065	1,55	53,755	0,71
Total	7,673,417	100,00	7,598,629	100,00	8,066,420	100,00	7,617,858	100,00

d. *Diversification by indexer*

BICBANCO Consolidated

2008

Type of operation	Prefixed	CDI	TR/TBF	Dollar	Others (*)	Total
Loans	1,430,460	5,173,933	12,097	1,266,140	53,553	7,936,183
Leasing	13,946	101,873	-	-	-	115,819
Others	589	7,715	2,703	3,411	-	14,418
Total	1,444,995	5,283,521	14,800	1,269,551	53,553	8,066,420

2007

Type of operation	Prefixed	CDI	TR/TBF	Dollar	Others (*)	Total
Loans	1,982,954	4,013,016	18,237	1,434,282	142,539	7,591,028
Leasing	10,631	8,534	-	-	-	19,165
Others	3,838	-	3,827	-	-	7,665
Total	1,997,423	4,021,550	22,064	1,434,282	142,539	7,617,858

(*) Consists mainly of transactions subject to indexation - TJLP, UMBNDES and IGPM.

e. *Geographic distribution*

	BICBANCO Consolidated			
	2008		**2007**	
	R$	**%**	**R$**	**%**
Northern region	-	-	64	0.01
Northeastern region	1,606,509	19.92	1,570,502	20.62
Southeastern region	3,685,932	45.69	3,630,110	47.65
Center-western region	1,089,399	13.51	1,023,968	13.44
Southern region	1,359,081	16.85	1,302,169	17.09
Abroad	325,499	4.03	91,045	1.19
Total	8,066,420	100.00	7,617,858	100.00

f. *Risk concentration level*

	BICBANCO Consolidated			
	2008		2007	
	R$	%	R$	%
Largest debtor	172,153	2.13	138,932	1.82
10 largest debtors	788,836	9.78	636,799	8.36
20 largest debtors	1,207,172	14.97	988,583	12.98
50 largest debtors	2,079,539	25.78	1,741,705	22.86
100 largest debtors	3,057,016	37.90	2,638,663	34.64
Largest economic group debtor	172,153	2.13	138,932	1.82

g. *Distribution of terms by portfolio*

g.1 Maturities of the trade portfolio

	BICBANCO Consolidated			
	2008		2007	
	R$	%	R$	%
Up to 3 months	2,537,478	44.10	2,309,681	41.61
3 months to 1 year	1,846,000	32.08	1,960,693	35.33
More than 1 year	1,294,852	22.50	1,244,254	22.42
Overdue (from 15 days on)	75,944	1.32	35,762	0.64
Total	5,754,274	100.00	5,550,390	100.00

g.2 Maturities of trade finance

	BICBANCO Consolidated			
	2008		2007	
	R$	%	R$	%
Up to 3 months	1,102,279	57.02	752,015	47.29
3 months to 1 year	712,848	36.87	754,751	47.47
More than 1 year	80,792	4.18	77,849	4.90
Overdue (from 15 days on)	37,297	1.93	5,463	0.37
Total	1,933,216	100.00	1,590,078	100.00

g.3 Maturities of consigned personal credit

	BICBANCO Consolidated			
	2008		2007	
	R$	%	R$	%
Up to 3 months	47,781	12.62	64,392	13.49
3 months to 1 year	115,515	30.48	155,565	32.59
More than 1 year	202,810	53.52	244,903	51.30
Overdue (from 15 days on)	12,824	3.38	12,530	2.62
Total	378,930	100.00	477,390	100.00

h. *Credit assignment*

h.1 During the fiscal year of 2008, there were not loans of the type "consigned credit - payroll" assigned to financial institutions with co-obligation of BICBANCO; in 2007 they were R$ 43,059 with co-obligation of BICBANCO. The result of these 2007 operations was of R$ 4,653 net of net of origination fees and tax effects. There was an allowance for non-performing loans over credit ceded with co-obligation in the amount of R$ 509 (Dec/2007 R$ 1,864), recorded in the account "Other Liabilities - Other". This provision strictly takes into consideration the credit in arrears as stated by Resolution 2682/99 of CMN (the Brazilian National Monetary Council) and Bacen (the Brazilian Central Bank).

h.2 Credit assignment to the FIDC - During 2008, BICBANCO assigned loan operations of the type "consigned credit" from its own portfolio without recourse to Fundo de Investimento em Direitos Creditorios BICBANCO Credito Consignado (FIDC) in the amount of R$ 362,889 resulting in gains of R$ 5,716 net of origination fees and tax impacts (Note 3-l).

The Bank also assigned operations of the type "working capital" to "Fundo de Investimento em Direitos Creditorios BICBANCO-Saúde Garantida" in the amount of R$ 47,263 resulting in gains of R$ 1,294 net of tax effects (Note 3-l). The results obtained from assignments are included in BICBANCO and reverted in BICBANCO Consolidated. There were no credit assignments in 2007.

i. *Lease operations*

The value of leasing transactions is presented at their current value, as determined pursuant to the internal rate of return set under each contract. Pursuant to the applicable Central Bank rules, these amounts are presented in several line items in the balance sheet, as follows:

	BICBANCO Consolidated	
	2008	2007
Lease receivables	100,456	13,061
Unearned lease income	(99,747)	(13,036)
Leased goods	135,177	27,020
Depreciation surplus	21,962	2,087
Depreciation of leased goods	(26,801)	(6,835)
Losses to amortize - lease operations	701	785
Anticipated residual value	(15,930)	(3,917)

Present value of lease contracts	115,818	19,165

9 Allowance for loan losses

a. Movement of the allowance

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Opening balance	133,143	90,187	133,332	91,740
Net increase	273,675	140,030	277,265	138,666
Write-offs	(99,737)	(97,074)	(99,737)	(97,074)
Closing balance	307,081	133,143	310,860	133,332
Written-off credit, recovery	25,859	21,504	25,871	21,520
Renegotiated loans	47,401	40,266	47,401	40,266
% of allowance for loans and leases	4.11%	1.75%	3.85%	1.75%

b. Composition of the allowance by type of operation

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Working capital and discounts	155,724	61,453	155,724	61,453
Secured accounts	31,961	13,937	31,961	13,937
Consigned personal credit	24,181	24,558	24,956	24,558
Personal credit	1,192	416	1,192	416
Consigned personal credit/assigned operations	509	1,864	509	1,864
Compror	984	1,237	984	1,237
Corporate check	4,959	1,366	4,959	1,366
BNDES repasses	93	278	93	278
Import financing	2,477	1,826	2,477	1,826
Export financing	16,498	1,474	16,498	1,474
Rural and agro-industrial financing	681	372	681	372
Housing & Real Estate	1,199	770	1,199	770
Resolution 2770 (former Resolution 63)	121	123	121	123
Vendor	84	-	84	-
Others	23,893	14,998	23,893	14,998
Loans	264,556	124,672	265,331	124,672
Guarantees and Sureties Honored	-	2	-	2
Debtors for buying assets	330	170	1,024	176
Bills and other receivables	307	104	307	104
Advances on exchange contracts	42,397	10,059	42,397	10,060
Other receivables	43,034	10,335	43,728	10,342
Leases	-		2,310	182
Subtotal	307,590	135,007	311,369	135,196
(-) Credit assignment with co-obligation	(509)	(1,864)	(509)	(1,864)
Total	307,081	133,143	310,860	133,332

c. Composition of the provision per risk level

	BICBANCO Consolidated					
	2008			2007		
Risk level	Calculation basis	Provision	%	Calculation basis	Provision	%
AA	1,035,885	-	12.84	1,029,495	-	13.51
A	3,457,466	17,287	42.86	3,663,525	18,318	48.09
B	2,543,132	25,431	31.53	2,037,437	20,374	26.75
C	650,645	58,558	8.07	688,605	20,658	9.04
D	159,359	46,214	1.98	109,744	10,975	1.44
E	38,538	18,884	0.48	16,655	4,996	0.22
F	118,793	81,967	1.47	15,293	7,647	0.20
G	8,293	8,210	0.10	22,463	15,724	0.29
H	54,309	54,309	0.67	34,641	34,641	0.45
Total	8,066,420	310,860	100.00	7,617,858	133,332	100.00

10 Foreign exchange portfolio

	BICBANCO and BICBANCO Consolidated	
	2008	2007
Assets		
Foreign exchange purchased to settle	1,268,443	1,072,657
Foreign currency advances received	-	(341)
Bills of exchange in foreign currency	-	393
Rights from sale of foreign exchange	248,761	92,625
Advances received in local currency	(17,136)	(50,405)
Income receivable on advances of foreign exchange contracts	27,900	26,712
Total	1,527,968	1,141,641
Liabilities		
Foreign exchange sold to settle	247,553	92,430
Financed imports - Contracted foreign exchange	(12,954)	(43,497)
Liabilities from foreign exchange purchases	987,362	1,144,086
Advances on foreign exchange contracts	(590,272)	(878,268)
Foreign currency liabilities	217	169
Unearned income on conceded advances	1	3
Total	631,907	314,923

11 Other receivables - Other

	BICBANCO		BICBANCO Consolidated	
	2008	2007	2008	2007

Salary advances and prepayments	1,416	875	1,416	875
Advances for payments	27	7,744	27	7,744
Advances for investments in fixed assets	-	786	-	786
Deferred tax credits (Note 29a)	299,033	141,784	303,786	142,298
Debtors from the purchase of assets	3,292	4,120	11,007	4,184
Debtors from guaranteed deposits	36,045	18,614	36,253	18,645
Income tax to compensate & recover	50,128	33,694	52,479	35,067
Payments to compensate	6,401	574	6,401	574
Accounts receivable	33,611	12,139	45,178	15,221
Sundry domestic debtors	51,853	3,690	51,853	3,690
Total	481,806	224,020	508,400	229,084

12 Other assets

a. Assets not for own use

Mainly represented by assets received in settlement of loans as follows:

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Property	17,901	17,105	17,901	32,436
Vehicles and similar	1,702	500	1,702	869
Machinery and equipment	2,476	2,476	2,476	2,476
Others	4,552	807	4,552	807
Subtotal	26,631	20,888	26,631	36,588
Provision for other assets	(13,027)	(13,189)	(13,027)	(13,208)
Total	13,604	7,699	13,604	23,380

The Bank's management prepared analysis of losses for decline in the value of assets. No adjustments were needed on the value of the recorded assets.

b. Prepayments

Substantially refer to prepaid commissions to third parties for financial intermediation services of consigned loans, accrued "pro rata tempore" during the term of the contracts (fully written-off in the case of the assignments).

13 Fixed assets for use

a. Fixed assets for own use

	BICBANCO and BICBANCO Consolidated						
	Depreciation rate - %	Cost		Accumulated depreciation		Net value	
		2008	2007	2008	2007	2008	2007
Land	-	4,230	4,230	-	-	4,230	4,230
Buildings	4	48,084	36,153	(17,496)	(16,090)	30,588	20,063
Machinery and equipment for use	10	11,448	11,594	(5,488)	(7,468)	5,960	4,127
Data processing system	20	11,987	13,060	(9,233)	(10,546)	2,754	2,513
Transport systems	20	3,783	2,904	(2,038)	(1,617)	1,745	1,287
Communication system	10	1,036	2,105	(646)	(1,687)	390	418
Security System	10	698	498	(255)	(235)	443	263
Total		81,266	70,544	(35,156)	(37,643)	46,110	32,901

b. Intangible assets

b.1 Intangible Assets - The Intangible Assets have defined useful life and are composed of:

	BICBANCO and BICBANCO Consolidated						
	Amortization rate %	Cost		Accumulated amortization		Net amount	
		2008	2007	2008	2007	2008	2007
Software (*)	20	995	-	(17)	-	978	-
Total		995	-	(17)	-	978	-

b.2 Movement of intangible assets:

	BICBANCO and BICBANCO Consolidated	
	2008	2007
Software		
Opening balance	-	-
Addition	995	-
Amortization	(17)	-
Final balance	978	-

c. Deferred assets

	BICBANCO and BICBANCO CONSOLIDATED						
	Amortization rate - %	Cost		Accumulated amortization		Accumulated amortization	
		2008	2007	2008	2007	2008	2007
Leasehold improvements	20	59,712	41,115	(25,666)	(14,756)	34,046	26,359
Software's acquisition (*)	Sunders	9,541	9,420	(8,853)	(7,849)	688	1,571
Branches improvements expenses	20	16,700	5,744	(6,164)	(3,640)	10,536	2,104
Total		85,953	56,279	(40,683)	(26,245)	45,270	30,034

(*) Classified as "Intangible Assets", beginning in last quarter of 2008, in compliance with Circular Letter 3357 of Bacen (the Brazilian Central Bank).

d. *Impairment*

The Bank's management prepared analysis of losses for decline in the value of assets. No adjustments were needed on the value of the recorded assets.

14 Overseas branch

At the balance sheet date, the operations conducted in the Cayman Islands branch presented: net equity of R$ 73,538 (Dec/2007 - R$ 47,351) and total assets of R$ 1,882,796 (Dec/2007 - R$ 417,676). The balances were converted into Reais at the US dollar exchange rate informed by the Brazilian Central Bank.

15 Domestic subsidiaries

The main information on the Bank's subsidiaries is presented below:

		2008					2007
Company name	**Number of shares/ quotas held**	**Investment percentage**	**Shareholders' equity**	**Net income for the period**	**Equity pick up**	**Book value of investments**	**Book value of investments**
BIC Arrendamento Mercantil S.A.	48,000,000	100%	67,828	3,697	3,697	67,828	64,131
BIC Distribuidora de Títulos e Valores Mobiliários	7,500,000	100%	12,092	848	848	12,092	11,244
BIC Informática S.A.	50,000	100%	514	41	41	514	473
BIC Adm. Cartão Créd. S/C Ltda.	3,570,000	100%	3,125	778	778	3,125	2,347
Total			83,559	5,364	5,364	83,559	78,195

16 Related party transactions

a. *Balance sheet highlights of the related parties*

	Bic Distribuidora	**Bic Arrendamento**	**Others**	**Total 2008**
Total assets	12,874	190,074	19,344	222,292
Current and non-current assets	12,874	190,073	19,344	222,291
Cash and cash equivalents	20	510	91	621
Interbank Investment	-	4,952	-	4,952
Securities and derivative financial instruments	12,700	48,246	7,441	68,387
Leasing operations	-	113,508	-	113,508
Other receivables	154	21,981	11,812	33,947
Other assets	-	877	-	877
Total liabilities	12,874	190,074	19,344	222,292
Current and non-current liabilities	782	122,246	15,705	138,733
Debentures issued	-	112,982	-	112,982
Other liabilities	782	9,264	15,705	25,751
Shareholders' equity	11,244	64,131	2,820	78,195
Net income of the period	848	3,697	819	5,364

b. *Related party transactions*

The Bank and its subsidiaries undertake transactions among themselves, which were eliminated in the consolidation process. Transactions among the Group companies are performed under normal market conditions prevailing at the dates of the transactions. The balances from operations between Banco Industrial and Comercial S.A. with direct subsidiaries, indirect and key personnel of the administration are presented below:

	2008		2007	
	Assets (liabilities)	Revenues (expenses)	Assets (liabilities)	Revenues (expenses)
Demand deposits	839	-	868	-
Bic Distribuidora de Títulos e Valores Mobiliários S.A. (a)	20	-	12	-
Bic Arredamento Mercantil S.A. (a)	510	-	435	-
Bic Informática (a)	1	-	1	-
Bic Administradora de Cartões de Crédito S/C Ltda (a)	-	-	155	-
Bic Corretora de Câmbio e Valores S.A. (a)	22	-	26	-
Fenix Total (b)	113	-	115	-
Golden Key Participações e Empreendimentos Ltda (b)	92		43	
Gemini Holding S.A. (c)	45	-	11	-
Primus Holding S.A. (c)	20	-	9	-
Administration - Management & Controllers	16	-	61	-
Saving deposits	730	(6)	6,032	(5)
Bic Administradora de Cartões de Crédito S/C Ltda (a)	24	(1)	5,045	(2)
Administration - Management & Controllers	706	(5)	987	(3)
Interbank deposits	-	127	-	-
Bic Arredamento Mercantil S.A. (a)	-	127	-	-
Time deposits	89,598	(9,455)	79,028	(15,076)
Bic Distribuidora de Títulos e Valores S.A. (a)	12,700	(1,513)	11,701	(1,324)
Bic Arredamento Mercantil S.A. (a)	48,246	(1,730)	31,163	(11,358)
Bic Informática Ltda (a)	444	(756)	-	
Bic Corretora de Câmbio e Valores S.A. (a)	2,240	(843)	1,131	(97)
Bic Administradora de Cartões de Crédito S/C Ltda. (a)	6,997	(34)	-	(64)
Gemini Holding S.A. (c)	874	(289)	8	(81)
Primus Holding S.A. (c)	754	(1)	1,710	(2.152)
Administration - Management & Controllers	17,343	(4.289)	33,315	
'Repo' transactions	4,951	3,366	-	3,663
Bic Arredamento Mercantil S.A. (a)	4,951	3,366	-	3,663

(a) Direct - Subsidiaries
(b) Indirect - Subsidiaries
(c) Control and Management of Key Personnel

c. *Remuneration for the Management's key staff - Consolidated*

The maximum aggregated remuneration for the Board of Directors and the Executive Board is established at the Annual General Meeting. In 2008 the maximum remuneration aggregated amount was established in the amount of R$ 6,250. Additional payments are approved in the General Meeting to approve the books.

c.1 Short-term benefits - Board of Directors and Executive Board

	BICBANCO and BICBANCO Consolidated	
	2008	**2007**
Fixed remuneration	7,441	5,543

Variable remuneration	32,589	21,297
Other	1,557	1,367
Total	41,587	28,207

c.2 Post-redundancy Benefits - BICBANCO does not offer post-benefit benefits or long-term ones for the key personnel of the Administration.

c.3 Long-term benefits - BICBANCO does not offer long-term, employment termination benefits to its key personnel of the Administration.

c.4 Other information - In accordance with the legislation in force, financial institutions cannot grant loans or advances to:

- Directors and members of consulting or administrative, tax and similar boards, nor to their respective spouses and relatives up to the 2nd. Degree; - Individuals or Legal Entities that hold interest in its capital, of more than 10%; - Legal entities of whose capital the financial institution itself, any directors or managers of the institution, as well as their respective spouses and relatives up to 2nd. Degree, hold interest, of more than 10%;

- Accordingly, loans and financings to any subsidiary, members of Board of Directors or of the Executive Board and their relatives are not performed by the financial institutions.

c.5 Corporate interest - The members of the Board of Directors and of the Executive Board hold jointly the following corporate interest as of December 31, 2008:

	Participation		
	Direct	**Indirect**	**Total**
Common stocks	35.03%	57.93%	92.96%
Preferred stocks	18.93%	3.17%	22.11%
Total			64.31%

17 Deposits

a. Composition per type of client

	BICBANCO Consolidated 2008					
	Demand deposits	**Time deposits**	**Interbank deposits**	**Saving deposits**	**Others**	**Total**
Legal entities	106,020	2,593,926	-	157,259	3,864	2,861,069
Individuals	3,807	722,420	-	18,387	-	744,614
Financial institutions	413	34,007	338,044	-	-	372,464
Institutional investors	-	465,946	-	-	-	465,946
Total	110,240	3,816,299	338,044	175,646	3,864	4,444,093

	BICBANCO Consolidated 2007					
	Demand deposits	**Time deposits**	**Interbank deposits**	**Saving deposits**	**Others**	**Total**
Legal entities	107,676	2,341,203	-	208,588	220	2,657,687
Individuals	3,423	501,255	-	19,295	579	524,552
Financial institutions	970	112,473	239,001			352,444
Institutional investors	-	877,572	-	-	-	877,572
Total	112,069	3,832,503	239,001	227,883	799	4,412,255

b. Diversification per term

	BICBANCO Consolidated 2008					
	Demand deposits	**Time deposits**	**Interbank deposits**	**Saving deposits**	**Others**	**Total**
No due date	110,240	-	-	175,646	3,864	289,750
Up to 3 months	-	1,002,103	219,878	-	-	1,221,981
3 months to 1 year	-	867,242	106,595	-	-	973,837
1 to 3 years	-	1,859,280	11,571	-	-	1,870,851
3 to 5 years	-	87,631	-	-	-	87,631
Over 5 years	-	43	-	-	-	43
Total	110,240	3,816,299	338,044	175,646	3,864	4,444,093

An amount of R$ 861,875 related to deposits with liquidity guaranteed to clients, registered in the Clearing House for Custody and Settlement of Securities (CETIP), was recorded as a current liability in the balance sheet.

	BICBANCO Consolidated 2007					
	Demand deposits	**Time deposits**	**Interbank deposits**	**Saving deposits**	**Others**	**Total**
No due date	112,069	-	-	227,883	799	340,751
Up to 3 months	-	970,961	157,220	-	-	1,128,181
3 months to 1 year	-	963,139	66,417	-	-	1,029,556
1 to 3 years	-	1,831,583	10,243	-	-	1,841,826
3 to 5 years	-	66,820	5,121	-	-	71,941
Total	112,069	3,832,503	239,001	227,883	799	4,412,255

An amount of R$ 784,591 related to deposits with liquidity guaranteed to clients, registered in the Clearing House for Custody and Settlement of Securities (CETIP), was recorded as a current liability in the balance sheet.

c. *Number of depositors*

	BICBANCO Consolidated	
	2008	2007
Demand deposits (active accounts)	3,366	3,528
Saving deposits	5,057	5,003
Time deposits	2,749	2,493
Investment Funds	346	426

d. *Concentration of main depositors - Time deposits*

	BICBANCO Consolidated			
	2008		2007	
	R$	%	R$	%
The largest depositor	349,864	9.17	295,962	7.72
10 largest depositors	758,486	19.87	772,086	20.15
20 largest depositors	1,067,122	27.96	1,061,030	27.69
50 largest depositors	1,603,611	42.02	1,546,688	40.36
100 largest depositors	2,059,972	53.98	1,991,252	51.96

18 Money market repurchase commitments

Represented by repurchase commitments for fixed price titles for settlement on January 2, 2009, backed by LTN's (National Treasury Bills) maturing on January 2009.

19 Foreign debt securities

Represented by the issuance of securities in the international market for on lending, with charges due at the average rate of 8.03% p.a. (Dec/2007 - 8.69% p.a.), and whose maturities are as follows:

	BICBANCO Consolidated			
	2008		2007	
	R$	%	R$	%
Up to 3 months	45,929	4.55	19,342	3.87
From 3 to 12 months	426,436	42.21	115,670	23.17
From 1 to 3 years	455,837	45.12	282,226	56.53
From 3 to 5 years	82,115	8.12	82,005	16.43
Total	1,010,317	100.00	499,243	100.00

- The expenses related to the issuing of debt securities in the amount of R$ 4,223 (Dec/2007 R$ 3,405) are recorded at a 'deferred expenses account' and accrued according to the term of the operations.

20 Funds from Debentures

On July 1st., 2008 the company BIC Arrendamento Mercantil S.A., a fully owned subsidiary of BICBANCO S.A., issued 10.500 (ten thousand and five hundred) simple debentures, non-convertible into shares, nominative, indentured, subordinated, in the single series "LBIC13", related to the company's 3rd. issuing, in the amount of R$ 105,000, with due date on July 1st., 2010, with charges at 115% on CDI rate, registered as "CVM/SRE/DEB-2008/021" on July 18th., 2008 at CVM (the Brazilian Exchange Commission).

The book value at December 2008 was as follows:

	2008
Issued quantity	10,500
Net on Dec/2008	10,500
Present value (R$)	10,760152
Book value - net (*)	112,140

(*) The expenses related to the issuing of debentures, in the amount of R$ 842 are recorded at a 'deferred expenses account' and accrued according to the term of the operations.

21 Foreign currency borrowings and "onlending"

Basically refers to the raising of funds for import and export financing, on which fixed charges are due at the average rate of 4.98% p.a. (2007 - 5.93% p.a.). The transaction subject to "Hedge" in the amount of US$ 190 million was adjusted to market value, in compliance with Circular 3.082 of Bacen (the Brazilian Central Bank), reducing the amount of R$ 23,781 in funding. The maturities are distributed as follows:

	BICBANCO Consolidated			
	2008		**2007**	
	R$	**%**	**R$**	**%**
Up to 3 months	973,028	35.17	605,034	34.29
3 months to 1 year	1,022,775	36.97	886,860	50.26
1 to 3 years	724,262	26.18	237,141	13.44
3 to 5 years	46,497	1.68	35,467	2.01
Total	2,766,562	100.00	1,764,502	100.00

- The expenses related to the above debts in the amount of R$ 11,694 (2007 - R$7,790) are recorded at a 'deferred expenses account' and accrued according to the term of the operations.

22 Onlending borrowings

Basically represented by onlending from the National Economic and Social Development Bank - BNDES, maturing up to 2010.

23 Other liabilities - Tax and social security contributions

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Taxes and contributions payable	221,102	133,248	223,281	136,002
Provision for deferred income	-	543	5,491	1,064
Provisions for tax liabilities (*)	275,276	179,928	277,790	181,078
Total	496,378	313,719	506,562	318,144

(*) Refer to legal and contingent liabilities, as stated in note 24.

24 Contingent assets and liabilities and legal obligations

BICBANCO and its subsidiaries are parties to 'administrative proceedings' arising from the normal course of operations, involving civil, labor, tax and social security issues.

a. Contingent assets

BICBANCO and its subsidiaries are parties at 'administrative proceedings', with the "Federal Finance and Fiscal Secretariat" of Brazil, in order to with regard certain tax and fiscal pending. However, there are judicial proceedings with the prospect of probable success, the most relevant of which are below described:

- **COFINS (Contribution for the Funding of Social Welfare Programs) - R$ 82,561**(Dec/2007 - R$ 76,841) pleads the refund of the amounts paid from November 2000 to October 2005, which exceeded the calculation made on the basis of Complementary Law 7/70, in view of the unconstitutionality of the expansion of the calculation basis determined in Law 9718/98. **PIS (Contribution to the Social Integration Program) - R$ 15,468** (Dec/2007 R$ 14,415) pleads the refund of amounts paid from November 2000 to October 2005, which exceeded the calculation made on the basis of Complementary Law 7/70, in view of the unconstitutionality of the expansion of the calculation basis determined in Law 9718/98.

- **PIS - R$ 47,912** (Dec/2007 R$ 46,622): pleads the refund of the amounts paid on the basis of Decree-laws 2445/88 and 2449/88, which exceeded the calculation made on the basis of Complementary Law 7/70, in view of the unconstitutionality of the enlargement of the calculation basis. On December 16th. 2008, BICBANCO benefited from a favorable opinion given by the Brazilian Superior Justice Court (STF), given the Bank the right for restitution of the claimed values. Nevertheless, such opinion is still pending of a final judicial decision.

b. Liabilities of a civil, labor and tax nature

Based on information from its legal advisors, analysis of pending legal proceedings, and previous experience with regards to amounts claimed, management recorded provisions for amounts considered sufficient to cover probable losses from the lawsuits in progress, as follows:

c. Legal obligations and contingent liabilities

The legal obligations and contingent liabilities classified as probable losses are entirely provided for. The most relevant issues are:

- **CSLL (Social Contribution on Net Profits) Isonomy** - Pleads to suspend the imposition of CSLL required from financial institutions from 1995 to 1998, due to the application of rates that are higher than those applied to other legal entities, in view of the non-observance of the constitutional principal of isonomy.

- **COFINS** - Pleads the payment of the contribution, as of November 2005, on the basis of the calculation stipulated by Complementary Law 7/70, in view of the unconstitutionality of the expansion of the calculation basis determined in Law 9 718/98, decided in a decision of the Supreme Court (STF) handed down in October 2005.

- **PIS** - Pleads the payment of the contribution, as of November 2005, on the basis of the calculation of Complementary Law 7/70, in view of the unconstitutionality of the expansion of the calculation basis determined in Law 9 718/98, decided in a decision of the Supreme Court (STF) handed down in October 2005.

- **IRPJ and CSLL** - A tax deficiency notice was issued by fiscal authorities for alleged irregular offset of fiscal liabilities (IRPJ and CSLL). BICBANCO entered with recourse at the Brazilian Court.

d. Contingencies

d.1 Tax and social proceedings

The contingent liabilities classified as possible losses are monitored by the institution and are based on the opinions of its legal advisors in relation to each judicial and administrative proceeding. Therefore, following the current rules, the contingencies classified as possible losses are not recognized in the accounts, and mainly refer to the following issues:

- **IOF (Tax on Financial Transactions) - R$ 35,860** (Dec/2007 R$ 34,734) - A tax deficiency notice was issued by fiscal authorities for alleged irregularity in the use of tax rate for the payment of "IOF" on Advance to Rural Credit Note (CCC). A Writ of Mandamus was filed to annul the tax deficiency notice, and an injunction was granted that is currently in force.

- **Voluntary Revelation - Unenforceability of the Late Payment Fine - R$ 2,767** - A Tax Deficiency Notice was entered on the grounds that the late payment fine is enforceable on a spontaneous payment made and duly communicated through voluntary revelation.

d.2 Labor processes

The labor processes assessed by the legal advisors as being probable risks were fully provided for and total **R$ 10,189** (2007 - R$ 13,465). BICBANCO is party to 41 processes, for which the claimed indemnifications total **R$ 2,221** (2007 - R$ 2,639), classified as 'possible risks' and no provision was recorded, according to the Brazilian accounting practices. According to the estimate of the legal advisors, the maximum amount of indemnification for these processes is **R$ 2,221** (2007 - R$ 2,404).

d.3 Civil processes

The civil processes assessed by the legal advisors as being probable risks were fully provided for and reaches **R$ 32,717** (Dec/07 R$ 24,630). BICBANCO is party to 452 processes, for which the amounts claimed reaches **R$ 40,356** (Dec/07 R$ 21,470) and which are classified as possible risks and therefore no provision was recorded considering that accounting practices adopted in Brazil do not require them to be recorded. According to the estimate of the legal advisors, the maximum amount of indemnification from these processes is **R$ 17,249** (Dec/07 R$ 11,482).

e. Movement of provisions

	BICBANCO Consolidated				
	2007	**2008**			
Description	**Opening balance**	**Additions**	**Reversals**	**Utilization**	**Closing balance**
Civil	24,662	9,443	1,388	-	32,717
Labor	13,465	2,596	242	(5,630)	10,189
Co-obligations in loan assignments	1,864	23	1,378	-	509
Subtotal	39,991	12,062	3,008	(5,630)	43,415

	BICBANCO Consolidated				
	2007	**2008**			
Fiscal Federal	**Opening balance**	**Additions**	**Reversals**	**Updating**	**Closing balance**
CSL Isonomy	87,716	-	-	2,041	89,757
CSL Isonomy on allowance for loans losses	2,806	-	-	102	2,908
INSS surtax 2.5%	3,846	-	-	140	3,986
INSS on pro-labore	9,196	-	-	335	9,531
Cofins	6,582	-	-	3,754	10,336
PIS offset challenged	1,214	-	-	637	1,851
PIS Amend, 10/96	9,613		-	399	10,012
PIS Law 9718	8,402	5,946	-	1,511	15,859
Cofins Law 9718	51,703	36,614	-	7,508	95,825
- IRPJ 1996 s/ ded, PIS	-	44	-	141	185
- CSL 1996 s/ ded, PIS	-	41	-	140	181
- IRPJ 1997 s/ ded, PIS	-	381	-	1,285	1,666
- CSL 1997 s/ ded, PIS	-	275	-	933	1,208
- IRPJ 2006 offset challenged	-	24,500	-	5,769	30,269
- CSL 2006 offset challenged	-	2,700	-	732	3,432
- ISS	-	784	-	-	784

Subtotal	181,078	71,285	-	25,427	277,790
Total	221,069	83,347	3,008	19,797	321,205

For the provisions above described, BICBANCO deposited as guarantee (Note 11 - other receivable - Other) the amounts of R$ 9,100 for civil processes, R$ 8,851 for labor processes and R$ 18,140 for fiscal processes.

25 Other liabilities - Other

	BICBANCO		BICBANCO Consolidated	
	2008	2007	2008	2007
Banker's checks	5,410	3,104	5,410	3,104
Obligation acceptance contracts	12,710	14,208	12,710	14,208
Accounts payable	12,037	11,422	27,667	17,542
Provision for legal claims (a)	43,384	39,960	43,415	39,991
FIDC liabilities (b)	-	-	201,078	-
Other domestic creditors (c)	58,069	54,654	62,251	54,655
Total	131,610	123,348	352,531	129,500

(a) Refers to the provision for labor, civil, processes (Note 24).
(b) Refers to the BICBANCO's FIDC Senior Quotas.
(c) The balance of other creditors refers, mainly, to payment in advance of assigned contracts, recorded at the present value of the obligation on the base date.

26 Subordinated debt

In March 2006, BICBANCO issued unsecured securities overseas in the amount of US$ 120,000 million with a 10-year maturity. The securities are recorded at their issuance amounts, price-level restated by the dollar variation plus interest at the rate of 9.75% p.a.

On September 12, 2006 the Central Bank of Brazil ratified the classification of the operation as a subordinated debt - Tier II capital, in accordance with Resolution 2837/01.

Following the maturity dates and interest defined in the contract, and the criteria for the reduction of the "TIER II" amount established in the aforesaid legislation, the Bank have used 100% of the price-level restated amount, corresponding to R$ 285,725 on December 31, 2008 (2007 - R$ 214,527), for the purpose of calculation of the "Referential Equity", net of costs of R$ 4,771 on December 31, 2008 (2007 - R$ 5,759).

27 Deferred income

Mainly refers to income resulting from the acquisition of credit rights; having similar characteristics to normal credit operations. The income is deferred throughout the contractual period on an accrual basis.

The contracts for acquisition of credit rights, signed without recourse of the assignor do not foresee the hypothesis of reimbursement of amounts, returns and cancellations.

28 Shareholders' equity

a. Stocks

The Bank's Capital is R$ 1,434,206 represented by 268,957,069 registered stocks, of which 160,206,833 are common stocks and 108,750,236 are preferred stocks, fully paid and validated by the Brazilian Central Bank.

b. Treasury stocks

As deliberated by the Extraordinary Stockholders General Meeting (AGE), on November 10th. 2008, the Bank's Management was authorized to cancel 9,227,700 preferred stocks, previously acquired, as resolved by the Board of Directors on June 30th 2008, held in reserve, without Capital reduction. The cancellation was made with reduction of the account "Profit Reserves".

As deliberated by the Board of Directors on December 9th. 2008, the Bank's Management was authorized to acquire stocks issued by the BICBANCO in the period from December 9th, 2008 to December 31st, 2009, for further cancellation without Capital reduction, up to the limit of 10% of the nominative preferred shares, or up to 8.491.018 stocks.

To comply with CVM Instruction 10, art. 21° - February 14th 1980, it is stated:

1. The referred authorization deliberated by the Board of Directors objectives the investment of available resources from "capital reserves".

2. From December 9, 2008 to December 31, 2008 BICBANCO acquired 2,775,300 nominative preferred shares in the amount of R$ 6,451, at the average weighted cost of R$ 2.32286 per share.

3. The maximum cost per share was R$ 2.98 and the minimum R$ 2.02

4. The market price of the stocks on December 31, 2008 was R$ 4.02

c. Interest on capital and dividends

A minimum dividend corresponding to 25% of net income for the year, in accordance with corporate law, is assured to the shareholders. On September 29, 2008, it was approved in Extraordinary General Meeting the payment of interim dividends in the amount of R$ 31,000, corresponding to R$ 0.114025895 per share.

Interest on Capital based on the half-year 2008 was provisioned and distributed in the gross amount of R$ 95,440 (2007 R$ 53,800), equivalent to R$ 0.354852278 per share. The non-paid provisioned interests on capital are recorded in the account "Other Liabilities - Social and Statutory Payables". The income tax (IRPJ) and social contribution (CSLL) were reduced by R$ 38,176 (2007 - R$ 18,292).

	2008	**2007**
Net income for the year	324,713	181,941
(-) Legal Reserve	(15,889)	(9,097)
Subtotal	308,824	172,844
Interest on capital	95,440	53,800
Taxes on Interest - 15%	(14,316)	(8,070)
Dividends	31,000	-
Amount paid	112,124	45,730
% on net income after reserve	36.31%	26.46%

d. Reserves

The "Statutory Reserve" comprises the sum of values remaining from the net income of previous periods, after distribution of interest on capital and legal reserves destinations and, under deliberation of the Executive Board of Directors', can be driven to the Bank's Capital or "working capital".

e. Prior year adjustments

Resulting from the change in the method of accounting deliberated by the Bank's Management, there was a prior year adjustment in the amount of R$ 6,945 referring to the mark-to-market of a hedge transaction related to "foreign currency borrowings and re-passes", in compliance with the Circular 3082 of Bacen (the Brazilian Central Bank).

29 Income tax and social contribution

a. Tax credits: the deferred income tax and social contribution recorded in BICBANCO - "Non-current assets - Other receivables - Other" and Non-current liabilities - other liabilities - tax and social security contributions presented the following movement:

Description	BICBANCO Consolidated 2007 Opening balance	2008 Realization	Additions	Closing balance
Income tax				
Allowance for loan losses	49,667	14,770	76,126	111,023
Provision for the devaluation of assets not for own use	3,296	39		3,257
Provision for adjustment to market value	5,564			5,564
Provision for contingencies and others (1) (3)	48,780	5,021	24,712	68,471
Subtotal	107,307	19,830	100,838	188,315
Fiscal losses from Lease operations	-	-	2,482	2,482
Subtotal	107,307	19,830	103,320	190,797
Social contribution				
Allowance for loan losses	17,880	8,862	56,537	65,555
Provision for the devaluation of assets not for own use	496	24	1,482	1,954
Provision for adjustment to market value	1,448		1,890	3,338
Provision for contingencies and others (2) (4)	15,167	3,013	29,988	42,142
Subtotal (5)	34,991	11,899	89,897	112,989
Total	142,298	31,729	193,217	303,786

(1) Including tax credit complement on civil liabilities related to 2007, in the amount of R$ 6,638.
(2) Including tax credit complement on civil liabilities related to 2007, in the amount of R$ 2,389.
(3) Including tax credit complement on fiscal liabilities related to previous years, in the amount of R$ 4,154.
(4) Including tax credit complement on fiscal liabilities related to previous years, in the amount of R$ 2,635.
(5) Including tax credit complement resulting from the increase of tax rate from 9% to 15% in the amount of R$ 4.976, related to 2008 and R$ 25,839 related to the stock of existing tax credit by December/2007.

Realization of tax credits - Based on a technical study, it was possible to estimate the generation of future taxable income for which there will occur realization of the tax credits, For the tax credits existing on the balance sheet date, the following percentages of realization were estimated: 22.1% until December 2009, 40.0% until December 2010, 5.5% until December 2011, 8.0% until December 2012 and 24.4% until June 2013. The Bank's management approved the technical study, in conformity with rules issued by the Central Bank of Brazil.

Present value of tax credits - Based on the projected Selic rate (the Brazilian basic interest rate) less tax effects, Tax credit calculated at their present value amount to approximately R$ 219,087 (Dec/2007 - R$ 107,137).

b. Deferred liability

The Bank recorded R$ 5,491 (2007 - R$ 522) as deferred income tax on excess of depreciation, which will be realized during the term or realization of the leasing operations.

BICBANCO Consolidated
2008

Deferred liability	Opening balance	Realization	Additions	Closing balance
Income tax on depreciation surplus	522	-	4,969	5,491
Total	522	-	4,969	5,491

c. Income tax and social contribution - Calculation

	BICBANCO Consolidated 2008	
Calculation	Income tax	Social contribution
Income before taxes, contributions and interest	397,896	397,896
Interest on shareholder's equity	(95,440)	(95,440)
Profit sharing	(29,436)	(29,436)
Calculation basis for income tax and social contribution	273,020	273,020
Temporary differences	366,828	367,016
Permanent differences	70,927	13,773
Realization of tax credits	(99,197)	(79,321)
Exclusions	(32,633)	(32,633)
Adjusted profit and basis for calculation of CSL (accumulated 2008)	578,945	541,855
Charges at the rates of 15% and 9% for income tax and social Contribution, respectively	86,841	48,767
10% income tax surcharge	57,871	-
Current taxes	144,712	48,767
Calculation basis for CSLL (May-Sept/2008)	-	355,965
Tax rate increase, as of May 2008 (from 9% to 15%)	-	21,358
Current Taxes	144,712	70,125
Reconciliation with results		
Current taxes	144,712	70,125
Tax deduction	(2,841)	-
Constitution/reversal of tax credits	(85,102)	(48,150)
Increase in deferred CSLL for the tax rate change from 9% to 15% (2008)	-	(4,976)
Accrual of deferred CSLL from 9% to 15% - Credit tax balances up to Dez/2007	-	(25,839)
Tax results	56,769	(8,840)

	BICBANCO Consolidated 2007	
Calculation	Income tax	Social contribution
Income before taxes, contributions and interest	273,424	273,424
Interest on shareholder's equity	(53,800)	(53,800)
Profit sharing	(21,297)	(21,297)
Calculation basis for income tax and social contribution	198,327	198,327
Temporary differences	212,533	212,082

Permanent differences	40,208	5,906
Realization of tax credits	(72,629)	(72,629)
Exclusions	(16,846)	(23,379)
Adjusted profit	361,593	320,307
Charges at the rates of 15% and 9% for income tax and social Contribution, respectively	54,240	28,828
10% income tax surcharge	36,135	
Current taxes	90,375	28,828
Reconciliation with results		
Current taxes	90,375	28,828
Tax deduction	(1,604)	-
CSL-MP 2158-35 (off-set in the period)	-	(1,685)
Constitution/reversal of tax credits	(34,863)	(10,865)
Tax results	53,908	16,278

30 Composition of the main income accounts

a. Income from loans

	BICBANCO		**BICBANCO Consolidated**	
	2008	**2007**	**2008**	**2007**
Working capital and discounts	1,042,778	564,228	1,042,778	564,228
Secured accounts	268,680	185,627	268,680	185,627
Personal consigned credit	73,830	143,482	73,830	143,482
Personal credit	13,458	14,600	13,458	14,600-
Personal consigned credit - Assigned operations	31,835	33,106	30,314	33,106
“Compror”	17,711	9,765	17,711	9,765
Corporate checks	29,725	14,703	29,725	14,703
BNDES “repasses”	3,016	8,336	3,016	8,336
Import financing	26,016	11,142	26,016	11,142
Export financing	145,274	27,355	145,274	27,355
Rural and agro-industrial financing	565	1,441	565	1,441
Real estate and housing	654	779	654	779
Resolution 2770 (former “Res. 63”)	4,910	4,320	4,910	4,320
Vendor	2,239	484	2,239	484
Other loans and financing	8,511	13,350	8,511	13,350
Recovery of loans written off as losses	25,859	21,504	25,871	21,519
Discounts on assigned operations for settlement anticipation	(2,424)	-	(2,424)	-
Exchange variation on loans in foreign currency	97,681	(52,146)	97,681	(52,146)
Total	1,790,318	1,002,076	1,788,809	1,002,091

b. Income from securities

	BICBANCO		**BICBANCO Consolidated**	
	2008	**2007**	**2008**	**2007**
Income from Interbank funds invested	41,268	13,617	41,168	13,617
Income from fixed income securities	100,358	77,353	96,500	73,690
Income from REPO transactions	29,259	144,502	29,283	144,502
Other operations with securities	36,448	17,688	19,049	17,738
Exchange variation	(18,482)	-	(18,482)	-
Total	188,851	253,160	167,518	249,547

c. *Results from derivative financial instruments*

	BICBANCO and BICBANCO Consolidated	
	2008	**2007**
Future market - Dollar	(100,767)	27,289
Future market - Interbank Index	(4,088)	13,726
Result of stock-options	1,794	1,323
Result of flexible-stock-options	(134,578)	(1,236)
Swaps	(134,194)	(47,811)
Swap - Dollar	471,910	(155,493)
Forward stocks	(725)	(5,195)
Forward currencies	22,890	(12,086)
Total	122,242	(179,483)

d. *Foreign exchange results*

	BICBANCO and BICBANCO Consolidated	
	2008	**2007**
Income from foreign exchange operations	83,038	72,213
Expenses with foreign exchange operations	(6,730)	(5,149)
Foreign exchange variations	328,913	(189,957)
Total	405,221	(122,893)

e. *Deposits, money market and Interbank funds*

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Savings deposits	2,921	2,294	2,921	2,294
Foreign securities	102,083	75,719	102,083	75,719
Interbank deposits	31,701	18,425	31,701	18,425
Time deposits	569,990	341,619	565,957	328,937
Repurchase operations	33,133	143,020	29,768	143,020
Expenses with debentures	-	-	6,636	3,246
Other	7,285	4,518	7,285	4,518
Exchange variations	169,319	(124,678)	169,319	(124,678)
Total	916,432	460,917	915,670	451,481

f. *Expenses (income) from borrowings and repasses*

	BICBANCO and BICBANCO Consolidated	
	2008	**2007**
BNDES repasses	2,285	6,544
Foreign banking expenses	108,015	81,861
Mark-to-market - item subject to Hedge (*) - Note 21	(23,781)	-
Exchange variation on loans and re-passes	487,615	(262,526)
Total	574,134	(174,121)

(*) The market value adjustment of the borrowings and repasses in 2008 is R$ 16,836. The negative amount of R$ 6,945 related to December 2007 was directly recorded in the Net Equity - Note 28.d. The swap operations annul those effects.

g. Other operating income

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Recovery of charges and expenses	118	50	183	50
Remuneration of funds deposited with BACEN	2,837	2,449	2,837	2,449
Income from other receivables selling of other assets	438	611	1,296	611
Monetary restatement of deposits for guarantees	262	1,053	262	1,053
Reversal of provisions	4,774	10,106	4,774	10,106
Other operating income	2,593	107	2,869	309
Total	11,022	14,376	12,221	14,578

h. Other operating expenses

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Expenses with discounts conceded in renegotiation	2,942	1,959	2,942	1,959
Expenses with labor and civil provisions	7,979	13,625	8,000	13,625
Expenses from updating of taxes	37,396	4,499	37,826	4,504
Commissions of assigned credits	46,669	25,777	30,695	25,777
Employees profit sharing	20,975	21,550	20,979	21,550
Sponsoring of selected programs	3,856	-	3,856	-
Taxes on exchange operations	5,511	-	5,511	-
Other operating expenses	1,481	5,803	2,743	6,149
Total	126,809	73,213	112,552	73,564

i. Personnel expenses

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Salaries	87,974	72,821	88,038	72,821
Benefits	12,355	9,315	12,373	9,315
Social charges	29,040	22,312	29,064	22,312
Directors’ compensation	7,441	5,543	7,441	5,543
Other	772	689	772	689
Total	137,582	110,680	137,688	110,680

j. Other administrative expenses

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Rents and rates	8,032	6,331	8,087	6,334

Communication	4,375	3,297	4,378	3,297
Maintenance and conservation	5,937	5,982	5,938	5,982
Data processing	14,080	12,906	14,158	12,906
Promotions and public relations	4,581	3,439	4,582	3,439
Publicity	12,127	9,150	12,327	9,277
Financial system services	9,329	7,418	10,050	7,457
Third party services	21,384	20,831	22,484	21,160
Transportation and travels	5,585	2,829	5,585	2,829
Amortization and depreciation	18,150	8,398	18,346	8,398
IPO expenses	-	19,916	-	19,916
Other administrative expenses	10,142	8,451	10,545	8,579
Total	113,722	108,948	116,480	109,574

k. *Tax expenses*

Refer to federal taxes and contributions PIS and COFINS: R$ 58,728 (Dec/2007 R$ 43,077).

l. *Financial operations results. Variation of foreign exchange rates*

In the financial operation results foreign exchange variations on assets and liabilities indexed to the US dollar were computed, as follows:

	BICBANCO and BICBANCO Consolidated	
	2008	**2007**
Exchange variation on loans in foreign currency	97,681	(52,146)
Securities	(18,482)	-
Future market - Dollar	(100,767)	27,289
Flexible options - Dollar	(134,578)	(1,236)
Swaps - Dollar	471,910	(155,493)
Forward currency - Dollar	22,890	(12,086)
Exchange operations result	328,913	(189,957)
Exchange variation on securities issued abroad	(169,319)	124,678
Exchange variation on foreign currency borrowings and on-lending	(487,615)	262,526
Total	10,633	3,573

m. *Non-operating result*

Refer to capital earnings for selling of goods (both for use and not-for-own-use) and provisions for value adjustment of other non-operational assets.

31 Basel agreement

The Bank falls within the limits established under Brazilian Central Bank Resolution 2099/94, added or amended by Resolutions 3440/07 and 3490/07 and Circular 3360/07, presenting a ratio of equity to weighted assets as follows:

		BICBANCO and BICBANCO Consolidated 2008	
Credit Risk Parcel	Pepr	1,075,663	
Foreign Exchange Risk Parcel	Pcam	51,343	
Interest Rate Risk Parcel	Pjur	2,206	
Commodities Risk Parcel	Pcom	-	
Stock and Trading Operations Parcel	Pacs	1,321	
Operating Risk Parcel	Popr	10,714	
Reference Shareholders' Equity required	PRE	1,141,247	
PR x PRE - Compatibilization	PR	2,006,152	
Risk Factor - 11% on (PR)			220,677
Basel index (% of PR)			19.34%

a. As of July 1st 2008, the calculation of operational limits changed concepts from "Basle I" to "Basle II", with incorporation of new risk factors for the calculation of the "minimum capital demanded", which is now represented by the below equation:

PRE = Pepr + Pcam + Pjur + Pcom + Pacs + Popr

b. For the calculation of Reference Net Equity - Tier I, it was computed adjustments in the amount of R$ 60,969 net of taxes, as permitted by the rules of Resolution 3674/08 of Bacen (the Brazilian Central Bank).

32 Statement of fixed assets limit

	BICBANCO and BICBANCO Consolidated	
	2008	**2007**
Limit	1,003,057	884,271
Situation	56,505	43,963
Margin	946,552	840,308
Fixed assets index	2.82%	4.97%

33 Guarantees and sureties provided

Responsibilities for guarantees and sureties provided amounted to R$ 487,144 (Dec/2007 - R$ 320,582), which have the following concentration:

	BICBANCO and BICBANCO Consolidated			
	2008	**%**	**2007**	**%**
Highest guarantee granted	52,532	10.78	43,200	13.48
10 largest guarantees	248,301	50.97	141,212	44.05
20 largest guarantees	325,814	66.88	206,903	64.54

50 largest guarantees	434,152	89.12	285,880	89.18

34 Asset management

The tangible-net-worth of the investment funds managed by the Bank totaled R$ 9,333 (Dec/2007 - R$ 13,423) and was composed of 346 quota holders (Dec/2007 - 426 quota holders).

35 Other information

a. Amendments to the Corporate Law (Law 6404/76)

Law 11638, published in the Official Gazette of the Union on December 28, 2008, modified several provisions of Law 6404 (Corporate Law), with respect to the accounting practices adopted in Brazil, as from December 31, 2008 fiscal year.

BICBANCO and the its subsidiaries are adopting the changes brought by the Law 11638/07 for the first time in their Financial Statements as of December 31, 2008. We stress that the initial adoption of the law aforementioned did not have material effects on the individual financial statements of Banco Industrial e Comercial S.A. (BICBANCO MÚLTIPLO), and in the consolidated financial statements of Banco Industrial e Comercial S.A. and its subsidiaries and the investment funds in credit rights (CONSOLIDATED BICBANCO). Please see below the accounting practices modified by the new Law:

- Intangible assets and rights were segregated from the tangible assets and the permanent assets were classified into investments, fixed assets and deferred charges;

- Deferred charges are restricted to pre-operating expenses and to the restructuring additional expenditures;

- Investments start being valuated by the equity accounting method, applied for interests of more than 20% or more of the voting stock (formerly this percentage was calculated based on the total capital). The modification aforementioned will become effective as from January 1st, 2009 for financial institutions. However, this will not result in modifications in the Bank's investments;

- A subgroup called "Equity Valuation Adjustment" was created aiming to record the increases and decreases in value attributed to the items of the assets and liabilities, as a result of their valuation at market prices.

- Introduction of the concept of Adjustment at Present Value for long-term assets and liability operations and for short-term material ones. As per Note to the financial statements for CVM Instruction 469, the aim of this modification is not the elimination of the existence of income expectations or deferred charges embedded in the monetary assets and liabilities, but the necessity of the obtainment of representative amounts at the time of the operation. The operations performed by BICBANCO and by the subsidiaries have already been presented by the amounts representative of the time of their performance, as the prefixed asset and liability operations are adjusted at present value by the existence of the accounts of unearned income and of expenses to be accrued which adjust these operations to the amounts that would have been obtained in the realization as if they were demand operations, as well as for loans and obligations subject to post fixed variations, which are realized at their present value and have the respective amounts periodically corrected by the rates of the operations. Therefore, the Adjustment at Present Value for the long-term asset and liability operations has already been practiced and it has not resulted in adjustments for BICBANCO and subsidiaries;

- Compulsoriness of periodic analysis to verify the level of recovery of the amounts recorded in the fixed and intangible assets and deferred charges. Management carried out the analysis and the amounts recorded as of December 31, 2008 of these accounts did not present material adjustments;

- Modification of the treatment of tax incentives, which starts to transit through the income and authorizes their destination to profit reserve - tax incentive reserve, and excludes them from the mandatory minimum dividend base. BICBANCO does not present tax incentives subject to this treatment as of the balance sheet date;

- The initial record of the funds raised with third parties, which could be classified as long-term liabilities, should prove the available net amounts received for use and the additional costs incurred in its obtainment should be recorded as an account adjustment of the long-term liabilities. All financial charges, such as interest, monetary and exchange variations and the fund raising additional expenditures should be allocated to income, in proportion to the time of the operation elapsed, based on the concept of internal return rate. BICBANCO defers the costs related to the operations for the obtainment of funds and allocates them to income for the duration of the operation. Due to Law 11638/07 these expenses to be accrued are being reclassified to long-term liabilities, formerly recorded in the account-prepaid expenses.

b. The Bank has 39 selling points in Brazil and 01 (one) overseas branch

The bank' staff is distributed as follows:

	2008	2007
Operational		
Commercial	244	250
Funding	24	30
Subtotal	268	280
Support and control		
Administrative	325	343

	2008	2007
Legal/audit	24	23
Controlling	122	103
Information technology	65	57
Other	15	17
Subtotal	551	543
Total	819	823

c. *Debt covenants*

BICBANCO has credit lines with international institutions such as IADB (Inter-American Development Bank), IFC (International Finance Corporation) and borrowing operations with IIC (Inter-American Investment Corporation) for on-lending to Brazilian companies, with maturities from 2.5 to 5.4 years, For monitoring of BICBANCO's ratios by the creditors, the contracts have certain covenants, quarterly checked, and with which that the Bank has to comply. The calculation is based on the audited Financial Statements, and prepared in compliance with the Brazilian Corporate Law and regulations from the Brazilian Central Bank. BICBANCO is in compliance with all demanded covenants ratios.

BICBANCO Consolidated	Required 2008
Capitalization	≥ 12%
Immobilization	≤ 30%
Liquid assets to short term liabilities	≥80%
Reference net equity (PR) to total assets	≥ 6%
Overdue loans ratio	≤ 6%
Allowance for loan losses	≥ 100%
D-H Loans + Goods - Provisions on PR	≤25%
Largest debtor on PR	≤20%
10 largest debtors (a tenth of PR) on PR	≤350%
Operating expenses to operating result	≤ 75%
Foreign exchange exposure to PR	≤ 15%
Liquidity gap (90 days) in R$	› 0
Liquidity gap (90 days) - Ratio	› 0
Interest risk rate on PR	≤ 8%
Aggregate interest risk rate on PR	≤ 15%
Aggregate negative interest risk rate on PR	≥-250%

d. Pension and retirement plans

BICBANCO is not responsible for the maintenance of any pension and/or retirement plan, neither as administrator nor as a sponsor.

e. Insurance

BICBANCO maintains policy of risk protection. The Bank's Management believes that the values of its contracted insurances offer reasonable coverage for its business & assessed relevant amounts involved.

f. Cash and cash equivalents

	BICBANCO		BICBANCO Consolidated	
	2008	**2007**	**2008**	**2007**
Cash	200,106	139,809	200,183	139,922
Open Market	1,507,402	9,002	1,507,402	9,002
Interbank deposits	22,741	9,112	22,741	9,122
Foreign currency	88,570	110,534	88,570	110,534
Total	1,818,819,	268,467	1,818,896,	268,580

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