Banco Daycoval S.A.

(incorporated in the Federative Republic of Brazil with limited liability)
(acting through its principal office in the Federative Republic of Brazil or acting through its Cayman Islands Branch)

U.S.$2,000,000,000
Euro Medium-Term Note Programme

Under the Euro Medium-Term Note Programme described in these Listing Particulars (the "Programme"), Banco Daycoval S.A. (either acting through its principal office in the Federative Republic of Brazil or acting through its Cayman Islands Branch), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium-Term Notes (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$2,000,000,000 (or the equivalent in other currencies). Payments in respect of the Notes may be subject to Brazilian foreign exchange controls and restrictions, as described in "Terms and Conditions of the Notes—Payments and Talons—Currency Constraint".

Application has been made to the Irish Stock Exchange for the approval of these Listing Particulars and for Notes issued under the Programme for the period of 12 months from the date of these Listing Particulars to be admitted to the official list of the Irish Stock Exchange and to trading on its Global Exchange Market (the "Irish Stock Exchange (Global Exchange Market)"). References in these Listing Particulars to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the official list of the Irish Stock Exchange and to trading on the Irish Stock Exchange (Global Exchange Market).

However, Notes may be issued under the Programme which will not be listed on the Irish Stock Exchange (Global Exchange Market) or any other stock exchange, and the Final Terms applicable to a series will specify whether or not the Notes of such series will be listed on the Irish Stock Exchange (Global Exchange Market) or any stock exchange. With respect to any Notes which are intended to be listed on the Irish Stock Exchange (Global Exchange Market) or any other stock exchange, there can be no assurance that a listing will be achieved prior to the issue date of such Notes or otherwise.

The Notes may be offered for sale (i) in the United States to qualified institutional buyers ("QIBs") (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) pursuant to Rule 144A or (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("Regulation S") and in accordance with applicable laws. See "Selling Restrictions". Notes offered for sale pursuant to Rule 144A are referred to as restricted Notes, and Notes offered for sale in reliance on Regulation S are referred to as unrestricted Notes.

Tranches (as defined herein) of Notes issued under the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in these Listing Particulars.

These Listing Particulars are valid for twelve months from the date hereof.

Banco Daycoval S.A.
(acting through its Cayman Islands Branch)
As Arranger and Dealer

The date of these Listing Particulars is January 13, 2011.

INVESTMENT IN THE NOTES IS SUBJECT TO A NUMBER OF CONSIDERATIONS WHICH SHOULD BE CAREFULLY CONSIDERED BY ANY POTENTIAL PURCHASER OF NOTES. SEE “RISK FACTORS”.

THE NOTES MAY HAVE LIMITED PAYMENT OBLIGATIONS. IF NOTES OF A SERIES ARE SPECIFIED TO BE CURRENCY CONSTRAINT NOTES, IN THE EVENT OF THE IMPOSITION OF EXCHANGE CONTROLS PROHIBITING THE CONVERSION INTO, OR REMISSION FROM BRAZIL, OF THE CURRENCY IN WHICH PAYMENT IS MADE IN RESPECT OF SUCH NOTES, HOLDERS OF SUCH NOTES MAY ELECT TO EXCHANGE SUCH NOTES FOR NOTES IN RESPECT OF WHICH PAYMENTS ARE PAYABLE IN THE LAWFUL CURRENCY OF BRAZIL FOR THE TIME BEING. IF A HOLDER DOES NOT ELECT TO MAKE SUCH EXCHANGE, SUCH HOLDER SHALL HAVE NO RIGHT, WHILE SUCH EXCHANGE CONTROLS REMAIN IMPOSED, EITHER TO ACCELERATE PAYMENT OF SUCH NOTES BY CALLING A DEFAULT OR TO SUE FOR THE UNPAID SUM. SEE “TERMS AND CONDITIONS OF THE NOTES—PAYMENTS AND TALONS—CURRENCY CONSTRAINT”.

In these Listing Particulars, unless the context otherwise requires, (i) references to “we”, “our”, “us”, the “Company”, “Banco Daycoval”, “Daycoval” or to the “Bank” mean Banco Daycoval S.A., a corporation (*sociedade anônima*) organised under the laws of Brazil, and its consolidated subsidiaries, (ii) references to “Cayman Islands Branch” mean Banco Daycoval S.A., acting through its Cayman Islands Branch, and (iii) with respect to any Note, references to the “Issuer” mean Banco Daycoval S.A., acting through its principal office in the Federative Republic of Brazil or acting through its Cayman Islands Branch, as indicated in the applicable Final Terms.

These Listing Particulars comprise base listing particulars for the purposes of the Irish Stock Exchange Guidelines and for the purpose of giving information with regard to the Issuer and the Notes which, according to the nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars have been and the relevant Final Terms will be prepared by us solely for use in connection with the proposed offering of the Notes described in these Listing Particulars and in the relevant Final Terms. These Listing Particulars do not and the relevant Final Terms will not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. We and each of the Dealers for each series 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 the relevant Final Terms. Distribution of these Listing Particulars and the relevant Final Terms to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of these Listing Particulars and the relevant Final Terms, agrees to the foregoing and to make no photocopies of these Listing Particulars and the relevant Final Terms or any documents referred to in these Listing Particulars and the relevant Final Terms.

These Listing Particulars should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any series of Notes, should be read and construed together with the relevant Final Terms. Each time we offer or sell Notes under the Programme, we will provide Final Terms that will contain certain specific information about the terms of that offering. If there is any inconsistency between the information in these Listing Particulars and any Final Terms, you should rely on the information in those Final Terms.

These Listing Particulars and the relevant Final Terms are intended solely for the purposes of soliciting expressions of interest in the Notes from qualified investors and, if applicable, the listing of the Notes on the Irish Stock Exchange (Global Exchange Market) and does not purport to summarise all of the terms, conditions and other provisions contained in the agency agreement relating to the Notes and other transaction documents. The information provided is not all-inclusive and may not contain all the information you would desire. The market information in these Listing Particulars has been obtained by us or derived from publicly available sources deemed by us to be reliable. The third party market information in these Listing Particulars has been accurately reproduced and, as far as we are aware and are able to ascertain from the market information published by those publicly available sources, no facts have been omitted which would render the market information reproduced herein inaccurate or misleading.

None of the Arranger or the Dealers (in each case, other than us in our capacity as Issuer) for any series will make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in these Listing Particulars and the relevant Final Terms. Nothing contained in these Listing Particulars and the relevant Final Terms is, or shall be relied upon as, a promise or representation by the Arranger or any such Dealer for any series as to the past or future. Notwithstanding any investigation that the Arranger or any such Dealer of any particular series may have conducted with respect to the information contained herein, the Arranger or such Dealer assumes no liability for the accuracy or completeness of any information contained in these Listing Particulars or any Final Terms.

We confirm that, after having made all reasonable inquiries, these Listing Particulars contain and the relevant Final Terms will contain all information with regard to us and the Notes that is material to the offering and sale of the Notes, that the information contained in these Listing Particulars are and the relevant Final Terms will be true and accurate in all material respects and not misleading and that there are and there will be no omissions of any other facts from these Listing Particulars and the relevant Final Terms which, by their absence herefrom or therefrom, make these Listing Particulars and the relevant Final Terms misleading. We accept responsibility for the information contained in these Listing Particulars and any Final Terms regarding us and the Notes.

These Listing Particulars contain and the relevant Final Terms will contain summaries intended to be accurate with respect to certain terms of certain documents, but reference is and will be made to the actual documents, all of which will be made available to you, the Fiscal Agent or the relevant agents for each series for complete information with respect thereto, and all such summaries are and will be qualified in their entirety by such reference.

You should rely only on the information contained in these Listing Particulars and the relevant Final Terms. None of the Dealers for any series will have, nor have we authorised anyone to provide you with, different information. The information contained in these Listing Particulars is, and the relevant Final Terms will be, accurate only as of the date of these Listing Particulars or the date of the Final Terms, regardless of the time of delivery of these Listing Particulars, the relevant Final Terms or of any sale of the Notes. Neither the delivery of these Listing Particulars and the relevant Final Terms nor any sale made hereunder or thereunder shall under any circumstances imply that there has been no change in our affairs and in the affairs of each of our subsidiaries or that the information set forth herein is correct as of any date subsequent to the date hereof or thereof.

By receipt of these Listing Particulars and the relevant Final Terms, you hereby acknowledge that (i) you have been afforded an opportunity to request from us and to review, and have received, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein and in the relevant Final Terms, (ii) you have had the opportunity to review all of the documents described herein and in the relevant Final Terms, (iii) you have not relied on any of the Arranger, the Dealers or any person affiliated with them in connection with any investigation of the accuracy of such information or your investment decision, and (iv) no person has been authorised to give any information or to make any representation concerning us or the Notes (other than as contained herein, in the relevant Final Terms and information given by our duly authorised officers and employees, in connection with your examination of our business and the terms of each of the offerings under the Programme) and, if given or made, you should not rely upon any such other information or representation as having been authorised by us or the Dealers for each series.

Each person receiving these Listing Particulars acknowledges that: (i) these Listing Particulars do not contain all the information that would be included in a prospectus for this offering were this offering to be registered under the Securities Act; (ii) the unaudited and audited consolidated financial statements included in these Listing Particulars have been prepared in accordance with Brazilian GAAP (as defined herein); and (iii) Brazilian GAAP differs in certain significant respects from U.S. GAAP (as defined herein) and from IFRS (as defined herein).

NOTICE FOR NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (THE “RSA”) 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 CONSTITUTES A FINDING BY THE SECRETARY OF STATE 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 HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS 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.

In connection with the issue of any tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of Notes and 60 days after the date of the allotment of the relevant tranche of Notes.

In making an investment decision, you must rely on your own examination of our business and the terms of each of the offerings under the Programme, including the merits and risks involved. The Notes have not been approved or recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of these Listing Particulars or the relevant Final Terms. Any representation to the contrary is a criminal offense.

These Listing Particulars do not and the relevant Final Terms will not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Neither we, the Dealers for any series, nor any of our or their respective affiliates or representatives, are making any representation to you regarding the legality of any investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THESE LISTING PARTICULARS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY PROSPECTIVE PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON PROSPECTIVE PURCHASERS 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 TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE PURCHASERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. These Listing Particulars have been, and the relevant Final Terms will have been, prepared by us solely for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons pursuant to Regulation S, the offer and sale of the Notes within the United States pursuant to Rule 144A under the Securities Act and, if applicable, the listing of the Notes on the Irish Stock Exchange (Global Exchange Market). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of the restriction on offers, sales, resales and transfers of the Notes and distribution of these Listing Particulars and the relevant Final Terms, see "Notice to Investors".

The Notes have not been, and will not 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 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 Arranger has agreed, and each of the Dealers will agree, not to offer or sell the Notes in Brazil, except in circumstances which do not constitute a public offering or distribution of securities under applicable Brazilian laws and regulations.

In these Listing Particulars, unless otherwise specified or the context otherwise requires, references to "U.S. dollars" and "U.S.$" are to United States dollars and to "*reais*", "*real*" and "R$" are to Brazilian *reais*, the Brazilian currency unit and to "euro", "EUR" and "€" are to the lawful currency of the states participating in the third stage of economic and monetary union, pursuant to the treaty establishing the European Community, as amended from time to time.

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SUPPLEMENTAL LISTING PARTICULARS

The Issuer has undertaken, in connection with the listing of the Notes on the Irish Stock Exchange (Global Exchange Market), that if at any time while any Notes are listed on the Irish Stock Exchange (Global Exchange Market) there is a significant change affecting any matter contained in these Listing Particulars or a significant new matter arises the inclusion of information in respect of which would have been so required if it had arisen when the Listing Particulars were prepared, the Issuer will prepare and make available an amendment or supplement to these Listing Particulars or publish replacement Listing Particulars for use in connection with any subsequent issue of Notes to be listed on the Irish Stock Exchange (Global Exchange Market). The Issuer will on an annual basis prepare further Listing Particulars setting out the changes in the operations and financial condition of the Issuer and will prepare further Listing Particulars or supplement to these Listing Particulars if the terms and conditions set out in these Listing Particulars are amended for all Notes issued or to be issued pursuant to the Programme.

Any Final Terms issued in respect of Notes listed on a stock exchange will be available free of charge from the office of the Listing Agent or Paying Agent with a specified office in the city of such stock exchange.

FORWARD-LOOKING STATEMENTS

These Listing Particulars contain estimates and forward-looking statements within the meaning of the Securities Act and the Securities Exchange Act of 1934, as amended, subject to risks and uncertainties, principally in the sections entitled "Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Conditions and Results of Operations", "Business" and "The Brazilian Financial System and Banking Regulation". Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends that affect or may affect our business, financial condition, results of operations, liquidity, strategy, and prospects. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to risks, uncertainties and assumptions and are made in light of information currently available to us.

Our estimates and forward-looking statements may be affected by the following factors, among others:

- general economic, political and business conditions in Brazil and abroad;
- risks relating to the market and credit industry environment in Brazil and abroad;
- our ability to implement our business strategies successfully;
- our capitalisation level;
- the market value of Brazilian government securities;
- an increase in loan defaults by our clients, as well as an increase in our allowance for loan losses;
- credit, market and operational risks and any other risks related to our financing activities;
- competition in the Brazilian banking market;
- changes in the availability and cost of our funding;
- prevailing inflation rates;
- appreciation or depreciation of the *real* and fluctuations in interest rates;
- changes in Brazilian laws, regulations, taxation and governmental polices that relate to our activities;
- administrative and judicial proceedings involving us; and
- the other risk factors discussed under the caption "Risk Factors".

Statements that depend on or are related to events or future or uncertain conditions or that include the words "believe", "anticipate", "continue", "expect", "estimate", "intend", "may", "assume" and other variations, as well as similar words, are intended to identify forward-looking statements. Forward-looking statements include information concerning our potential or assumed future results of operations, business strategies, funding plans, competitive position, industry environment, potential growth opportunities and the effects of future regulation and of competition. Forward-looking statements and estimates speak only at the date they are made and neither we, the underwriters nor the agents undertake the obligation to update or revise any forward-looking statements after we distribute these Listing Particulars to reflect new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in these Listing Particulars may not occur or be accurate, and our future financial condition, results of operations, liquidity and performance may differ materially from those set out for a number of reasons.

Any such forward-looking statements and estimates are not guarantees of future performance and involve risks and uncertainties. Given such limitations, you should not rely on these forward-looking statements to make a decision to invest in an issue of Notes.

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements and Information

We maintain our books and records in *reais*. We prepare our consolidated financial statements in accordance with accounting principles adopted in Brazil applicable to entities authorized to operate by the Brazilian central bank (*Banco Central do Brasil*) (the "Central Bank") ("Brazilian GAAP") which are based on the accounting criteria set forth by Law No. 6,404 of December 15, 1976, as amended (the "Brazilian Corporation Law"), the changes introduced by Law No. 11,638 of December 28, 2007 ("Law No. 11,638") and Provisional Measure 449 of December 3, 2008 ("Provisional Measure 449") for the recording of transactions, together with, when applicable, the standards and instructions of the Brazilian national monetary council (*Conselho Monetário Nacional*) ("CMN"), the Central Bank, and the Standard Chart of Accounts for Financial Institutions (*Plano Contábil das Instituições do Sistema Financeiro Nacional*) ("COSIF"), the Brazilian securities exchange commission (*Comissão de Valores Mobiliários*) (the "CVM"), the Private Insurance Authority (*Superintendência de Seguros Privados*) ("SUSEP") and the Brazilian Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*) (the "CPC"), if applicable.

On December 28, 2007, the Brazilian government enacted Law No. 11,638 which became effective on January 1, 2008 and which, together with Provisional Measure 449 (enacted by Law No. 11,941 of May 27, 2009 ("Law No. 11,941")), amended the Brazilian Corporation Law and introduced the process of conversion of accounting practices adopted in Brazil into International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). In accordance with CMN Resolution No. 3,786 of September 24, 2009, financial institutions will be required to prepare their financial statements in accordance with IFRS beginning with the year ending December 31, 2010.

During 2008 and 2009, the CPC issued standards relating to the convergence of Brazilian GAAP with IFRS. Although such standards have been approved by the CVM, not all have been ratified by the Central Bank. Accordingly, in the preparation of our consolidated financial statements, we have adopted only those pronouncements which have already been ratified by the Central Bank, namely:

- CPC 01 – Impairment of assets (Central Bank Resolution 3,566/08);
- CPC 03 – Statements of cash flows (Central Bank Resolution 3,604/08);
- CPC 05 – Related party transactions (Central Bank Resolution 3,750/09); and
- CPC 25 – Provisions, contingent liabilities and contingent assets (Central Bank Resolution 3,823/09).

The effects of the first-time adoption of the changes introduced by Law No. 11,638 and Provisional Measure 449 did not affect significantly our consolidated financial statements for the year ended December 31, 2008 or for the year ended December 31, 2009. See the notes to our financial statements included in these Listing Particulars for further discussion of such changes.

These Listing Particulars include our consolidated balance sheets and consolidated income statements as of and for the years ended December 31, 2009, 2008 and 2007, which are derived from our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007, prepared in accordance with Brazilian GAAP and audited by Deloitte Touche Tohmatsu Auditores Independentes ("Deloitte") in accordance with audit standards applicable in Brazil.

Brazilian GAAP differs in certain significant respects from IFRS. The financial information presented in these Listing Particulars may differ from financial statements prepared in accordance with

IFRS. The Bank has made no attempt to identify or quantify the impact of those differences as of and for the year ending December 31, 2010, with comparative figures for 2009.

These Listing Particulars include our unaudited consolidated balance sheets and consolidated statements of income as of and for the nine-month periods ended September 30, 2010 and 2009, prepared in accordance with Brazilian GAAP and subject to limited procedures applied by Deloitte in accordance with professional standards for a review of such information.

Our Cayman Islands Branch produces audited financial statements on an annual basis as required by Cayman Islands law and has published financial statements for the years ended December 31, 2008 and 2009. Such financial statements are not included in these Listing Particulars. The financial statements of our Cayman Islands Branch have been included in our consolidated financial statements since June 30, 2008.

The financial information related to Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC") and Daycoval Fundo de Investimento em Direitos Creditórios ("Daycoval FIDC") has been consolidated into our financial statements. As part of this consolidation, we record the balance of our receivables portfolio previously transferred to Daycoval Veículos FIDC and Daycoval FIDC as "lending operations" and exclude the amounts represented by our subordinated quotas in Daycoval Veículos FIDC and Daycoval FIDC from our balance sheet. We also recognise that receivables portfolio, net of the amounts represented by Daycoval Veículos FIDC's and Daycoval FIDC's subordinated quotas, as "borrowings and onlendings—domestic borrowings". In our income statements, we record any income from Daycoval Veículos FIDC and Daycoval FIDC, as well as any increase in the market value of our subordinated quotas (which are recognised in our individual financial statements as income under "securities transactions"), as "lending operations". Any amounts due to senior quotaholders of Daycoval Veículos FIDC and Daycoval FIDC are recorded as costs under "funding operations". For further information on Daycoval Veículos FIDC and Daycoval FIDC, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding—Borrowings and Onlendings".

The financial information related to Daycoval Classic Fundo de Investimento Multimercado Privado ("Daycoval Classic") has also been consolidated into our financial statements. As part of this consolidation, the proportion of the securities portfolio of Daycoval Classic that corresponds to our portion of fund shares was incorporated into our securities portfolio and our investment in fund shares was eliminated. Income from Daycoval Classic shares is recorded on our financial statements as "securities transactions".

In the preparation of our consolidated financial statements, intercompany balances and transactions with our direct and indirect subsidiaries and with Daycoval Veículos FIDC, Daycoval FIDC and Daycoval Classic have been eliminated. We also adjust the financial statements of our indirect foreign subsidiary to Brazilian GAAP and translate any amounts indicated therein into *reais*.

Market information

The information contained in these Listing Particulars relating to Brazil, the Brazilian economy and the market where we operate is based on information published by the Central Bank and by other public entities and by independent sources, including the Brazilian Association of Finance and Capital Markets Entities (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*) ("ANBIMA"), the Brazilian Federation of Banks (*Federação Brasileira de Bancos*) ("FEBRABAN"), the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografía e Estatística*) ("IBGE") and the Getúlio Vargas Foundation (*Fundação Getúlio Vargas*) ("FGV"), among others. Such information has been accurately reproduced and, as far as we are aware and able to ascertain from information published by such third parties, no facts have been omitted which would render such reproduced information inaccurate or misleading. Although we do not have any reason to believe any of this information is inaccurate in any material respect, we have not independently verified any such information.

References

Solely for the convenience of the reader, we have translated certain amounts contained in "Summary Financial Information" and "Selected Financial Information" and elsewhere in these Listing Particulars from *reais* into U.S. dollars. The rate used to translate such amounts was R$1.69 to U.S.$1.00 (subject to rounding adjustments), which was the selling exchange rate in effect as of September 30, 2010 as reported by the Central Bank. The U.S. dollar equivalent information presented in these Listing Particulars is provided solely for your convenience and should not be construed as implying that the amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rate may fluctuate widely and the exchange rate described in this paragraph may not be indicative of future exchange rates. See "Exchange rates" for information regarding *real*/U.S. dollar exchange rates.

Rounding

Certain percentages and other amounts included in these Listing Particulars have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them.

ENFORCEMENT OF JUDGMENTS

We are a corporation organised under the laws of Brazil. Most of our directors and executive officers and certain advisors 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 our 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 us any judgments obtained in such courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or predicated upon the laws of such other jurisdictions outside Brazil. In the Terms and Conditions of the Notes, we will agree that the courts of England shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Notes and, for such purposes, irrevocably submit to the jurisdiction of such courts. See "Terms and Conditions of the Notes."

We have been advised by Campos Mello Advogados, our Brazilian counsel, that judgments of U.S., English and other 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 us or any other person described above obtained outside Brazil would be enforceable in Brazil against us or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice. That confirmation, generally, will occur if the foreign judgment:

- is for payment of a sum certain;
- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of process is made;
- is not subject to appeal;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a translation into Portuguese of a Brazilian-registered sworn translator; and
- is not contrary to Brazilian national sovereignty, public policy or public morality (as set forth in Brazilian law).

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. We understand that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to Brazilian public policy, public morality and national sovereignty, Brazilian courts may enforce civil liabilities in such actions against us, our directors, certain of our officers and the advisors named herein. Pursuant to Article 835 of the Brazilian Code of Civil Procedures, a plaintiff (whether Brazilian or non-Brazilian) who resides outside or leaves 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 based on the amount under dispute. This requirement does not apply to enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice, nor to the cases of collection of claims based on instruments (which does not include the Notes) that may be enforced in Brazil without the review of their merits (*titulos executivos extrajudiciais*) and counterclaims (*reconvençôes*) under Article 836 of such code.

Any judgment obtained against us in Brazil would be expressed in an amount in *reais* equivalent on the date of remittance from Brazil to the U.S. dollar amount due and unpaid under the Notes.

SUMMARY

Overview

We are one of the leading banks specialising in providing loans to Brazilian middle market companies, which we define as companies with annual gross revenues between R$8.0 million and R$300.0 million. We also have a significant presence in the retail segment. Since the late 1980s, we have offered a wide range of credit products to middle market companies secured by collateral. At June 30, 2010, we were the 16th largest Brazilian private bank in terms of shareholders' equity and the 22nd largest Brazilian private bank in terms of volume of assets, according to the Central Bank. As of September 30, 2010, we had assets of R$9,329.2 million, shareholders' equity of R$1,735.6 million and a loan portfolio of R$5,186.0 million, 64.2% of which consisted of loans made to middle market companies. As of December 31, 2009, we had assets of R$7,060.8 million, shareholders' equity of R$1,692.7 million and a loan portfolio of R$3,814.9 million, 58.5% of which consisted of loans made to middle market companies.

For the nine-month period ended September 30, 2010, our annualised return on average shareholders' equity was approximately 16.3%, compared to 10.6% for the nine-month period ended September 30, 2009. For the nine-month period ended September 30, 2010, our annualised return on average assets was approximately 3.7%, compared to 2.7% for the nine-month period ended September 30, 2009. For the year ended December 31, 2009, our return on average shareholders' equity was approximately 12.9%, compared to 12.6% and 20.7% for the years ended December 31, 2008 and 2007, respectively. For the year ended December 31, 2009, our return on average assets was approximately 3.3%, compared to 2.8% and 4.6% for the years ended December 31, 2008 and 2007, respectively. Our return on average shareholders' equity and return on average assets were affected in 2008 and 2009 by the effects of the global financial crisis and the consequential deterioration in the Brazilian economic environment.

We operate through 29 branches located in 25 cities across 18 Brazilian states and the Federal District (Brasília). We had approximately 3,531 active middle market clients as of September 30, 2010 and our portfolio of middle market loans and trade finance loans at such date was R$3,327.3 million. We believe that a significant potential client base of Brazilian small- and medium-sized companies exists, which will allow us to continue to expand our activities in the middle market segment.

In 2004, we started operations in the individual lending market by offering payroll deduction loans under the DayCred brand. As of September 30, 2010, our portfolio of such loans was R$1,352.5 million, which we originated through a wide distribution network consisting of around 694 banking correspondents. We also began to offer vehicle financing in 2006. As of September 30, 2010, our portfolio of auto loans was R$470.9 million, which we originated through a wide distribution network consisting of approximately 70 banking correspondents. Our portfolio of loans to individuals also includes other products, such as the financing of purchases by consumers of goods and services through retailers or service-providers participating in our direct consumer credits programme ("direct consumer credits") which, as of September 30, 2010, amounted to R$35.3 million. As of September 30, 2010 our aggregate portfolio of loans to individuals represented 35.8% of our total loan portfolio.

We seek to diversify our sources of funding to avoid mismatches between the respective interest rates and maturities of our funding and the loans that we grant, and to obtain liquidity to allow us to take advantage of growth opportunities. Our time deposits are our primary source of funding and amounted to R$2,885.5 million as of September 30, 2010, representing 56.9% of our total funding compared to R$2,122.5 million, or 44.0% of our total funding as of December 31, 2009. As of September 30, 2010, this source of funding had an average cost of approximately 105.9% of the CDI, and an average term of 479 days, compared to 106.0% of the CDI and an average term of 699 days as of December 31, 2009. For further discussion of our time deposits, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding—Time deposits". Our sources of funding also include debt issued in the international capital markets, with coupons varying from 6.50% to 7.25% per annum. The aggregate outstanding balance of such debt was R$656.0 million as of September 30, 2010, representing 9.5% of our total funding, compared to R$373.5, or 7.7% of our total funding as of December 31, 2009. Our funding denominated in U.S. dollars represented 27.9% of our total funding as of September 30, 2010, compared to 25.9% of our total funding as of December 31, 2009, and includes the balance of borrowings and onlendings denominated in U.S. dollars in addition to debt issued in the international capital markets.

We believe that the quality of our services, our credibility and our solid reputation are recognised in the Brazilian financial market, as evidenced by our being named as the best middle market bank by Gazeta Mercantil/Austin Ratings in 2006, 2007 and 2008 and by FGV/Conjuntura Econômica magazine in 2006 and 2007. We have some of the highest long-term local ratings among Brazilian medium-sized banks: “A+” from Fitch and “AA-” from Standard & Poor’s.

The following tables highlight certain of our financial information for the periods indicated:

	As of September 30,		
	2009	2010	2010
	(R$ millions, except percentages)		(U.S.$ millions, except percentages)(1)
Total assets	6,177.4	9,329.2	5,520.2
Shareholders’ equity	1,646.3	1,735.6	1,027.0
Loan portfolio	3,493.0	5,186.0	3,068.6
Deposits	2,331.4	3,247.9	1,921.8
Funds from acceptance and issuance of securities	589.5	657.0	388.8
Basel index(2)	29.3%	21.2%	21.2%
Cash, interbank investments and securities and derivatives	2,503.8	3,671.2	2,172.3
Provision for loan losses as a percentage of total loan portfolio	7.7%	3.3%	3.3%

	As of December 31,			
	2007	2008	2009	2009
	(R$ millions, except percentages)			(U.S.$ millions, except percentages)(1)
Total assets	6,556.6	6,831.0	7,060.8	4,178.0
Shareholders’ equity	1,517.5	1,607.2	1,692.7	1,001.6
Loan portfolio	3,476.0	3,705.5	3,814.9	2,257.3
Deposits	2,331.9	1,757.0	2,381.8	1,409.3
Funds from acceptance and issuance of securities	214.6	785.5	373.5	221.0
Basel index(2)	35.8%	28.2%	28.6%	28.6%
Cash, interbank investments and securities and derivatives	2,793.8	2,813.8	3,028.5	1,792.0
Provision for loan losses as a percentage of total loan portfolio	2.2%	5.2%	5.6%	5.6%

	For the nine-month period ended September 30,		
	2009	2010	2010
	(R$ millions, except percentages)		(U.S.$ millions, except percentages)[1]
Net income	128.6	203.8	120.6
Return on average shareholders' equity[3]	10.6%	16.3%	16.3%
Return on average assets[4]	2.7%	3.7%	3.7%
Efficiency index[5]	22.5%	23.5%	23.5%

	For the year ended December 31,			
	2007	2008	2009	2009
	(R$ millions, except percentages)			(U.S.$ millions, except percentages)[1]
Net income	206.0	200.2	211.1	124.9
Return on average shareholders' equity[3]	20.7%	12.6%	12.9%	12.9%
Return on average assets[4]	4.6%	2.8%	3.3%	3.3%
Efficiency index[5]	23.1%	33.0%	22.5%	22.5%

Notes:

(1) Translated into U.S.$ solely for the convenience of the reader. The rate used to translate such amounts was R$1.69 to U.S.$1.00 (subject to rounding adjustments), which was the selling exchange rate in effect as of September 30, 2010, as reported by the Central Bank. The U.S. dollar equivalent information presented in these Listing Particulars is provided solely for the convenience of investors and should not be construed as implying that the amounts in *real* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) Basel index corresponds to 11% of our reference shareholders' equity divided by the minimum amount of capital we are required to maintain pursuant to the regulations of the Central Bank.

(3) Net income (annualised) as a percentage of average shareholders' equity.

(4) Net income (annualised) as a percentage of average total assets.

(5) Efficiency index is calculated by dividing (a) the sum of (i) personnel expenses and (ii) other administrative expenses, excluding depreciation and amortisation by (b) the sum of income from services provided and gross profit from financial intermediation (adjusted by the "Foreign exchange variation" effects originally recognised in "Other operating income" in the amounts of R$68.5 million in 2007, R$61.0 million in 2008, R$326.6 million in 2009, R$308.1 million for the nine-month period ended September 30, 2009 and R$75.2 million for the nine-month period ended September 30, 2010), excluding the effects of the provision for loan losses. Efficiency index is not calculated using a standard methodology and may not be comparable to the definition of efficiency index or similarly titled measures used by other companies. Efficiency index is not a measure calculated in accordance with Brazilian GAAP or IFRS. We believe that the efficiency index provides a better understanding of our operational performance.

Our Strengths

We believe that our position as one of the leading medium-sized Brazilian banks is a result of the following strengths:

Significant and Solid Operations in the Middle Market Lending Segment

We have operated in the Brazilian middle market lending segment since 1989. This segment has experienced significant growth in recent years as a result of the low level of indebtedness of small- and medium-sized Brazilian companies and a more stable economic environment in Brazil. We have developed solid and close relationships with our clients by offering high-quality services and a broad range of credit products that are tailor-made to their particular needs and adjusted to reflect the specific requirements of the middle market segment. We believe that our network of branches and other distribution channels, together with our team of specialised sales managers, allow us to efficiently respond to our clients' needs, including by rapidly approving loans without compromising our conservative risk policies. We believe that these features represent a significant competitive advantage in relation to other banks that do not specialise in the middle market lending segment and place us in a favourable position to benefit from future growth of this segment in Brazil.

Conservative and Solid Financial Position

Our activities are based on the maintenance of a solid financial position and the adoption of conservative credit and investment policies. We seek to maintain our liquidity by investing at least 30.0% of our deposits in cash and cash equivalents. To minimise liquidity risks, we also seek to avoid mismatches between our credit portfolio and our sources of funds by diversifying and extending the maturity of our funding. As of September 30, 2010, our funding was composed of (i) time deposits, demand deposits, interbank deposits and other deposits, (ii) money market funding, (iii) borrowings and onlendings, and (iv) funds from acceptance and issuance of securities, which represented 47.1%, 25.0%, 18.4% and 9.5% of our total funding, respectively. Our Basel index as of September 30, 2010 was 21.2%, which was significantly higher than the 11.0% rate required by the Central Bank and higher than the average Basel index of the banks listed on the São Paulo Stock Exchange (the "BM&FBOVESPA"). Our financial strength is confirmed by our long-term local ratings, which are among the best of same-sized Brazilian banks operating in the same segments as us: "A+" from Fitch and "AA-" from Standard & Poor's.

Quality of Loan Portfolio

We believe that the quality of our loan portfolio and the low level of loan defaults that we have experienced are principally a result of our ability to select clients with an acceptable risk profile and to closely monitor the collateral that they grant us with respect to the loans that we provide them. As of September 30, 2010 and 2009, the percentage of our loan portfolio represented by AA to C credits, according to the risk classification system established by the Central Bank, was 95.4% and 89.0%, respectively. As of December 31, 2009, 92.3% of our loan portfolio was classified as AA to C compared to 92.7% and 97.3%, as of December 31, 2008 and 2007, respectively. In addition, our provision for loan losses represented 3.3% of our total loan portfolio as of September 30, 2010, compared to 5.6%, 5.2% and 2.2% as of December 31, 2009, 2008 and 2007, respectively. In order to mitigate the risks that could result from a concentrated client base, our credit policy establishes limits on the percentages that each industry or client may represent in our total loan portfolio. As of September 30, 2010 and 2009, our ten largest clients represented 13.0% and 8.7% of our total loan portfolio. As of December 31, 2009, our ten largest clients represented 8.1% of our total loan portfolio, compared to 6.3% and 7.3% as of December 31, 2008 and 2007, respectively.

In addition, the nature of the segments in which we operate contributes to the quality of our loan portfolio. Most of our middle market loans are guaranteed by what we believe to be high-quality collateral. In addition, we believe that our payroll deduction loans have a reduced risk profile compared to other credit products since the installments on such loans are directly deducted from the payroll of the public or private sector employees or the pension paid to beneficiaries and retirees of the INSS, as the case may be, who are the borrowers under such loans. We also have strict internal credit analysis rules in relation to the auto loans that we grant.

Growth Potential with Low Marginal Costs

We believe that the segments in which we operate are among those with the greatest potential for growth in the Brazilian credit industry. We believe that we have the capacity to grow our operations with low marginal costs due to the combination of the following factors:

- our brand is strongly recognised, partially as a result of the awards we have received (such as the best middle market bank according to Gazeta Mercantil/Austin Ratings in 2006, 2007 and 2008 and by FGV/Conjuntura Econômica magazine in 2006 and 2007), which we believe helps us to attract new clients without significant marketing initiatives and enhances our credibility in the market;

- we have a state-of-the-art technology platform with differentiated proprietary systems to evaluate and monitor loans and the capacity to support a significant increase in our client base;

- our database contains historical information on over 750,000 companies and individuals, including current and potential clients, which allows us to rapidly and safely evaluate their credit risk and the quality of the collateral they are able to provide;

- we have expertise in the development of efficient distribution channels for our products, which we believe will allow us to further expand the market share of our products and the range of products that we offer at reduced marginal costs; and

- our headquarters, situated on Avenida Paulista, one of the main financial centers in the city of São Paulo and in Latin America, will allow us to accommodate future personnel increases without additional investments in real estate.

Agility and Efficiency in Developing New Products

We believe that our solid and flexible operating structure, together with the expertise of our management team, have allowed us to develop new products and to quickly explore market opportunities at low costs and in compliance with our stringent return and risk exposure criteria. For example, in 2004 we identified the substantial growth potential of the individual lending segment and started to offer payroll deduction loans. We rapidly implemented an efficient operating structure for offering such loans which, as of September 30, 2010, consisted of approximately 313,000 agreements entered into with public sector entities and a distribution network consisting of around 694 banking correspondents. In 2010, in accordance with our strategy of diversifying products, we opened two foreign exchange bureaus in São Paulo through which we work with partners such as travel agencies, brokers and other financial institutions to offer customers a range of options for a fast and secure service when buying or selling foreign currency. In addition, we have recently expanded our portfolio of direct consumer credits. We believe both products present growth potential in Brazil.

Experienced Management Committed to High Standards of Corporate Governance

Our senior executives have substantial experience in the Brazilian financial markets and are fully committed to our interests and goals. Our chief executive officer and each of our other senior executives have more than 40 years and 15 years, respectively, of experience in the Brazilian banking industry and extensive knowledge of our business. We believe that our management is capable of identifying potential growth opportunities that arise in the market and establishing competitive strategies that increase our profitability while reducing our costs and the risks in our portfolio. Our administrative structure is based on the strict definition of activities for each of our areas of operation, which enhances our efficient decision-making process. We seek to stimulate and retain our employees by offering attractive compensation plans which have contributed to our low employee turnover. We have also implemented high standards of corporate governance, such as the creation of a board of directors that includes two independent directors with experience in the financial markets.

Our Strategy

We seek to continue to grow on a sustainable and consistent basis and to create value for our shareholders through the following strategies:

Continue to Focus on the Middle Market Segment

Our main strategy will be to continue to focus on lending operations in the Brazilian middle market lending segment. We believe that there are numerous potential middle market clients in the regions in which we operate, and we intend to take advantage of the growth opportunities of this segment by:

- increasing our selected customer base while continuing to apply our credit and collateral quality criteria;
- growing and diversifying our distribution structure through the increase of our sales team and the opening of new branches in attractive locations, including the state of São Paulo (where we opened one new branch in December 2010 and have obtained Central Bank authorisation for a further two branches which we plan to open in the first quarter of 2011) and the states of the mid-west and northeast of Brazil; and
- retaining clients by offering a broad product portfolio that better serves their needs and differs us from our competitors, as well as through the development of new products, longer-term loans and foreign trade financing. In this respect, we opened our branch in the Cayman Islands to improve our product portfolio and support the increasing volume of our foreign trade transactions.

Continue to Take Advantage of Opportunities in the Individual Lending Segment

We intend to improve our market share in the individual lending segment by taking advantage of our experience in the lending market and our existing operating structure, as well as by offering new products that we deem attractive, by:

- increasing the volume of our payroll deduction loans through (i) the execution of new agreements with public entities, primarily federal agencies and smaller municipalities, (ii) the use of exclusive and innovative information technology tools to reach to new clients, and (iii) the strengthening of our relationships with banking correspondents through "loyalty" programs such as incentive and training initiatives;
- continuing to offer vehicle financing products through national coverage and a focus on higher value-added products such as financing small and heavy vehicles; and
- using our existing distribution channels to develop and offer new products, such as direct consumer credits, in order to realise economies of scale and reduce our marginal costs.

In addition, we may also include the following in our product mix to extend its retail offering:

- consumer finance – receivables-based credit for retailers secured by post-dated checks;
- credit cards – corporate cards in association with Mastercard; and
- payroll mortgage – long repayment period and conditional sale via trust deed as loan security.

Diversify our Sources of Funding

On January 21, 2008, we were authorised by the Central Bank to open our Cayman Islands Branch, with U.S.$3.0 million in separate capital. The purpose of our Cayman Islands Branch is to give us access to additional funding sources that will support our efforts to lengthen the average duration of our funding instruments and cut funding costs. Operationally, our Cayman Islands Branch focuses on growing our trade finance portfolio, enabling us to build a broader customer base, create new products and continue to diversify our international business.

Since December 31, 2006, we have made three issues of Eurobonds under our U.S.$1,000,000,000 Euro Medium-Term Note Programme, totalling U.S.$525 million in principal amount. In addition, during the first quarter of 2009, we concluded an agreement with Cartesian Capital Group, Wolfensohn Capital Partners, International Finance Corporation and our controlling shareholders (the "Pioneer Investors") pursuant to which the Pioneer Investors subscribed R$410.0 million of our bank deposit certificates (*Certificados de Depósitos Bancários*) (the "Pioneer CDBs") in a private placement. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants which may be converted into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. The warrants may be converted into up to a maximum of 18,451,613 ordinary shares and 50,322,580 preferred shares.

Maintain our Solid Financial Base

We strive to maintain the high quality of our assets by applying our conservative credit and risk management policies, which we believe have been critical for maintaining relatively low default levels of our clients in recent years. In addition, we believe that our high liquidity level has also allowed us take advantage of growth opportunities. We will continue to seek to maintain adequate liquidity levels that are compatible with market standards and that provide us with long-term financial stability.

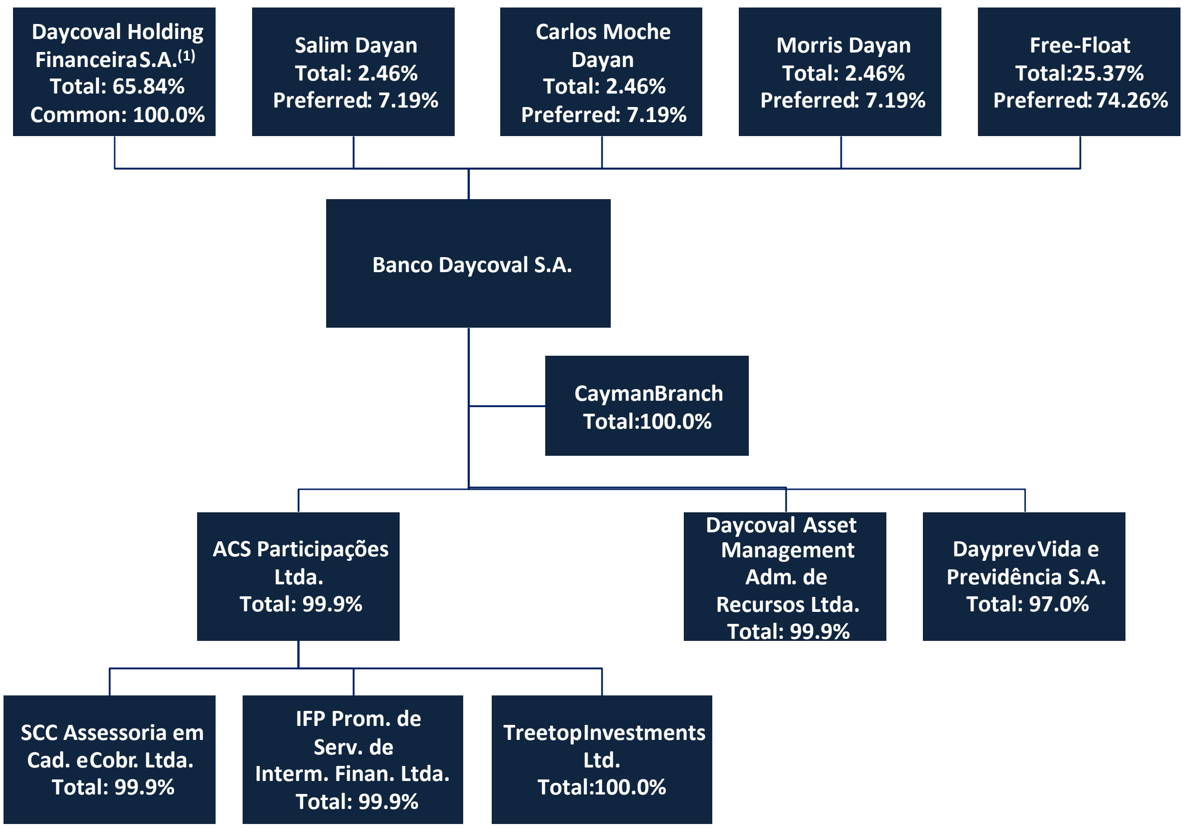
History

We were originally incorporated August 5, 1968 as Daycoval Distribuidora de Títulos e Valores Mobiliários Ltda. In 1989, our name was changed to Banco Daycoval S.A. after we were authorised to operate as a multiple-service bank by the Central Bank. Since then, we have offered financing for middle market companies. In 1994, we were authorised by the Central Bank to operate commercial portfolios and in 1995, to conduct foreign exchange transactions to support our middle market lending operations.

In March 2007, we created Dayprev Vida e Previdência S.A. ("Dayprev") to operate in the insurance business.

Also in March 2007, we and our shareholders completed a corporate restructuring that resulted in the creation of Daycoval Holding Financeira S.A., which holds 65.84% of our capital stock and is controlled by the Dayan family. On June 29, 2007, we completed an initial public offering (the "IPO") and raised approximately R$1,000 million in capital.

The following chart indicates our corporate structure as of September 30, 2010:



Note:

(1) Daycoval Holding Financeira S.A. is controlled by the Dayan family.

Our executive offices are located at Avenida Paulista, 1793, in the City of São Paulo, in the State of São Paulo, CEP 01311-200, Brazil. Our investor relations telephone number is +55 (11) 3138-1024. We are registered with the State of São Paulo Commercial Registry under NIRE (*Número de Identificação de Registro de Empresas*) 35300524110.

The Cayman Islands Branch

The Cayman Islands Branch is registered as a foreign company under Part IX of the Companies Law (as amended) of the Cayman Islands. On May 12, 2008 the Cayman Islands Branch was granted a Category "B" banking licence by the Cayman Islands Monetary Authority to operate in the Cayman Islands under the Banks and Trust Companies Law (as amended) of the Cayman Islands, which allows the Cayman Islands Branch to conduct all types of banking business in any part of the world, but does not allow the Cayman Islands Branch to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, inter alia, exempted or ordinary resident companies and other licensees.

The registered office of the Cayman Islands Branch is P.O. Box 1034, Harbour Place, 4th Floor, 103 South Church Street, Grand Cayman, KY1-1102, Cayman Islands and the telephone number is +1 345 814 1574.

OVERVIEW OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this document.

Issuer:	Banco Daycoval S.A., acting through its principal office in Brazil or its Cayman Islands Branch, as specified in the applicable Final Terms.
Description:	Euro Medium-Term Note Programme
Size:	Up to U.S.$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	Banco Daycoval S.A., acting through its Cayman Islands Branch.
Dealer:	Banco Daycoval S.A., acting through its Cayman Islands Branch. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in these Listing Particulars to "Permanent Dealers" are to Banco Daycoval S.A. (acting through its Cayman Branch.) as Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent:	The Bank of New York Mellon
Registrar	The Bank of New York Mellon
Paying Agents and Transfer Agents	The Bank of New York Mellon and The Bank of New York Mellon, London Branch
Principal Paying Agent:	The Bank of New York Mellon Trust (Japan), Ltd.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms document to these

	Listing Particulars (the "Final Terms").
Currency Constraint:	Bearer Notes may have limited payment obligations. If specified in the relevant Final Terms that a Currency Constraint provision applies, in the event of the imposition of exchange controls prohibiting the conversion into, or remission from Brazil of, the currency in which payment is made in respect of a Series of Notes, holders of such Notes may elect to exchange such Notes for Notes in respect of which payments are payable in the lawful currency of Brazil for the time being. If a holder does not elect to make such exchange, such holder shall have no right, while such exchange controls remain imposed, either to accelerate payment of such Notes by calling a default or to sue for the unpaid sum. See "Terms and Conditions of the Notes—Payments and Talons—Currency Constraint". In the event of the occurrence of a Relevant Currency Constraint in Brazil and the election by a Noteholder not to exchange Notes but to continue to receive amounts due under the Notes in the Specified Currency in which payments are due, interest will accrue on any unpaid principal amounts of the Notes of such Noteholder at the interest rate on such Notes from the date payment was due until the date of payment, subject to limitations in the event that payments are held by financial institutions to comply with certain requirements of the Brazilian federal government (the "Federal Government") or the Central Bank. Interest will not accrue on overdue payments of interest or additional amounts, if any. See "Terms and Conditions of the Notes—Foreign Currency Constraint".
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes:	Each Tranche of Notes to be issued in bearer form will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date, (ii) the Notes are treated as issued in registered form for U.S. federal income tax purposes or (iii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "—Selling Restrictions" below), otherwise such Tranche will be represented by a permanent Global Note. Each Tranche of Notes in registered form sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate (as defined in the Agency Agreement). Each Tranche of Notes in registered form sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate (as defined in the Agency Agreement). In respect of a Series of Notes where the applicable Final Terms specify that a

	Currency Constraint provision is applicable, such Series of Notes shall include a second permanent Global Note which will represent the Exchanged Notes (as defined herein) for which interests in the original permanent Global Note of such Series of Notes may be exchanged in accordance with the Conditions.
Clearing Systems:	Clearstream, Luxembourg, Euroclear and/or The Depositary Trust Company ("DTC") and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Note or Global Certificate representing Notes may (or, in the case of Notes listed on the Irish Stock Exchange Ltd (Global Exchange Market), shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or DTC, as the case may be. Global Notes or Global Certificates relating to Notes that are not listed on the Irish Stock Exchange (Global Exchange Market) may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Each Tranche of Notes in registered form that is to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).
Denomination:	Each Series of Notes will be in such denominations as may be specified in the relevant Final Terms, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies); and (iii) in the case of any Notes to be sold in the United States to QIBs, the minimum specified denomination shall be U.S.$100,000.

Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum aggregate redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments:	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on

	which, and the amounts in which, such Notes may be redeemed.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and Supplemental Listing Particulars.
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status and Ranking of Notes:	The Notes will constitute unsecured and unsubordinated obligations of the Issuer and will at all times rank pari passu and without any preference among themselves. See "Terms and Conditions of the Notes—Status".
Negative Pledge:	So long as any Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement) the Issuer will not create any lien, pledge or other charge upon any of its present or future property, rights and assets as security for any notes or bonds denominated in a currency other than the lawful currency of Brazil which are either listed on a stock exchange or capable of being so listed unless the Notes are secured rateably by such lien, pledge or charge. See "Terms and Conditions of the Notes—Negative Pledge".
Cross-Default:	It shall be an Event of Default (as defined under "Terms and Conditions of the Notes—Events of Default") if: (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries (as defined in the Agency Agreement) for or in respect of monies borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any monies borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by

	any leading bank on the day on which this paragraph operates). See “Terms and Conditions of the Notes—Events of Default”.
Early Redemption:	Except as provided in “Optional Redemption” above, Notes will be redeemable: (i) at the option of the Issuer prior to maturity if the Issuer has or will become obliged to pay additional amounts (i) in excess of the additional amounts the Issuer would be obliged to pay if payments were subject to withholding or deduction at a rate of 15% as a result of any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or (ii) as a result of any change in, or amendment to, the laws or regulation of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or, in either case, any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date for the relevant Notes, and (ii) at the option of the Noteholders prior to maturity if the Issuer ceases to be directly or indirectly owned and controlled by the Members of the Dayan Family (as defined in the Agency Agreement) as to at least 51% of both its voting and total share capital. See “Terms and Conditions of the Notes—Redemption, Purchase and Options”.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Brazil or the Cayman Islands subject to customary exceptions (including the IPMA Standard EU Exceptions), all as described in “Terms and Conditions of the Notes—Taxation”.
Governing Law:	English.
Listing:	Irish Stock Exchange (Global Exchange Market) or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Ratings:	Tranches of Notes issued under the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	United States, European Economic Area (in respect of Notes having a denomination of less than €50,000 (or its equivalent in any other currency as at the date of issue of the Notes)), United Kingdom,

	Brazil, Ireland and the Cayman Islands. See "Subscription and Sale". The Notes will be treated as Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended. Each Tranche of Notes issued in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "D Rules") unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "C Rules") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.
Transfer Restrictions:	There are restrictions on the transfer of Notes sold pursuant to Regulation S under the Securities Act prior to the expiration of the relevant distribution compliance period and on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See "Transfer Restrictions".
ERISA Considerations	Except as otherwise provided in the relevant Final Terms, Notes may be acquired by an "employee benefit plan" (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title I of ERISA, a "plan" as defined in and that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, "plan assets" by reason of such employee benefit plan's or plan's investment in the entity, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, provided that such purchase and holding of Notes will not constitute or result in a non-exempt 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, a violation of any such substantially similar U.S. federal, state or local law, or non-U.S. law). Each purchaser and/or holder of Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential purchasers should read the sections entitled "Certain United States ERISA Considerations" and "Transfer Restrictions."

SUMMARY FINANCIAL INFORMATION

The tables below contain a summary of our financial information as of and for the nine-month period ended September 30, 2010 and 2009 and as of and for the years ended December 31, 2009, 2008 and 2007 and are based on and should be read in conjunction with our unaudited consolidated financial statements as of and for the nine-month periods ended September 30, 2010 and 2009 and our audited consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 and accompanying notes included in these Listing Particulars, as well as with sections "Presentation of Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operation".

For your convenience, the following tables also contain U.S. dollar translations of the amounts in *reais*, translated using the rate of R$1.69 to U.S.$1.00, which was the exchange rate in effect as of September 30, 2010 as reported by the Central Bank.

Statement Income of Data

	For the nine-month period ended September 30,		
	2009	2010	2010
	(R$ millions)		(U.S.$ millions)
Income from financial intermediation	**550.9**	**916.2**	**541.8**
Lending operations	579.8	686.5	406.2
Securities transactions	205.2	232.5	137.6
Derivatives	(234.1)	(17.4)	(10.3)
Foreign exchange operations	–	14.6	8.6
Expenses from financial intermediation	**(528. 3)**	**(520.4)**	**(307.9)**
Funding operations	(248.6)	(349.3)	(206.7)
Borrowings and onlendings	(49.4)	(51.2)	(30.3)
Foreign exchange operations	(7.7)	(0.5)	(0.3)
Provision for loan losses	(222.6)	(119.4)	(70.6)
Gross profit from financial intermediation	**22.6**	**395.8**	**234.2**
Other operating income (expenses)	**148.7**	**(89.9)**	**(53.2)**
Income from services provided	13.0	24.3	14.4
Income from insurance operations	2.3	2.3	1.4
Personnel expenses	(46.2)	(66.0)	(39.1)
Other administrative expenses	(82.6)	(80.3)	(47.5)
Tax expenses	(27.2)	(29.7)	(17.6)
Other operating income	332.9	107.5	63.6
Other operating expenses	(43.5)	(48.0)	(28.4)
Income from operations	**171.3**	**305.9**	**181.0**
Nonoperating income (expenses)	**(11.9)**	**(8.0)**	**(4.7)**
Income before income and social contribution taxes and minority interest	**159.4**	**297.9**	**176.3**
Income and social contribution taxes	**(22.5)**	**(74.4)**	**(44.0)**
Provision for income tax	(58.8)	(46.7)	(27.6)
Provision for social contribution tax	(31.8)	(27.9)	(16.5)
Deferred taxes	68.1	0.2	0.1
Profit sharing	**(8.3)**	**(19.7)**	**(11.7)**
Net income	**128.6**	**203.8**	**120.6**

	For the year ended December 31,			
	2007	2008	2009	2009
		(R$ millions)		(U.S.$ millions)
Income from financial intermediation	**775.6**	**1,650.4**	**801.1**	**474.0**
Lending operations	617.5	1,073.8	790.9	467.9
Securities transactions	205.2	267.2	263.2	155.7
Derivatives	(68.2)	219.1	(252.9)	(149.6)
Foreign exchange operations	18.5	82.8	–	–
Compulsory investments	2.6	7.5	–	–
Expenses from financial intermediation	**(385.4)**	**(1,181.7)**	**(624.7)**	**(369.6)**
Funding operations	(301.0)	(762.1)	(323.7)	(191.5)
Borrowings and onlendings	(23.6)	(242.8)	(61.1)	(36.2)
Foreign exchange operations	–	–	(0.4)	(0.2)
Provision for loan losses	(60.8)	(176.8)	(239.5)	(141.7)
Gross profit from financial intermediation	**390.2**	**468.7**	**176.4**	**104.4**
Other operating income (expenses)	**(117.4)**	**(192.0)**	**120.5**	**71.3**
Income from services provided	13.5	26.2	18.5	10.9
Income from insurance operations	–	2.1	3.2	1.9
Personnel expenses	(52.8)	(71.0)	(63.9)	(37.8)
Other administrative expenses	(110.1)	(172.7)	(109.4)	(64.7)
Tax expenses	(28.5)	(32.9)	(37.4)	(22.1)
Other operating income	78.8	92.3	363.9	215.3
Other operating expenses	(18.3)	(36.0)	(54.4)	(32.1)
Income from operations	**272.8**	**276.7**	**296.9**	**175.7**
Nonoperating income (expenses)	**(0.6)**	**(14.9)**	**(12.9)**	**(7.6)**
Income before income and social contribution taxes and minority interest	**272.2**	**261.8**	**284.0**	**168.0**
Income and social contribution taxes	**(51.7)**	**(44.1)**	**(58.3)**	**(34.5)**
Provision for income tax	(62.4)	(66.4)	(70.1)	(41.5)
Provision for social contribution tax	(20.8)	(33.1)	(42.6)	(25.2)
Deferred taxes	31.5	55.4	54.4	32.2
Profit sharing	**(14.5)**	**(17.5)**	**(14.6)**	**(8.6)**
Net income	**206.0**	**200.2**	**211.1**	**124.9**

Balance Sheet

	As of September 30,		
	2009	2010	2010
Assets	(R$ millions)		(U.S.$ millions)
Current assets	**4,573.6**	**6,451.2**	**3,817.3**
Cash	30.8	62.0	36.7
Interbank investments	1,669.4	2,464.8	1,458.5
Money market investments	1,594.0	2,353.0	1,392.3
Interbank deposits	68.9	106.4	63.0
Foreign currency investments	6.5	5.4	3.2
Securities and derivatives	448.1	222.2	131.5
Own portfolio	240.0	198.7	117.6
Linked to repurchase commitments	114.4	1.0	0.6
Derivatives	25.4	18.5	11.0
Linked to guarantees	67.0	1.9	1.1
Asset backed technical reserves	1.3	2.0	1.2
Interbank accounts	9.1	17.2	10.2
Lending operations	2,125.1	3,177.2	1,880.0
Lending operations—public sector	4.8	7.0	4.1
Lending operations—private sector	2,342.1	3,292.4	1,948.2
(Provision for loan losses)	(221.8)	(122.2)	(72.3)
Other receivables	234.2	446.1	264.0
Foreign exchange portfolio	81.4	187.3	110.8
Income receivable	0.8	2.0	1.2
Insurance premiums pending receipt	0.5	0.4	0.3
Trading account	2.0	–	–
Other	151.9	256.8	152.0
(Provision for doubtful receivables)	(2.4)	(0.4)	(0.2)
Other assets	56.9	61.7	36.4
Repossessed assets	26.3	28.8	17.0
(Provision for depreciation of reposed assets)	(4.8)	(4.0)	(2.4)
Prepaid expenses	35.4	36.9	21.8
Noncurrent assets			
Long-term assets	**1,592.6**	**2,867.5**	**1,696.7**
Interbank deposits	–	19.2	11.4
Securities and derivatives	355.6	903.0	534.3
Own portfolio	156.4	550.0	325.4
Linked to repurchase commitments	190.2	289.2	171.1
Derivatives	2.8	3.8	2.2
Linked to guarantees	0.8	41.3	24.4
Asset backed technical reserves	5.4	18.7	11.1
Lending operations	1,001.9	1,632.5	966.0
Lending operations—public sector	2.4	7.5	4.4
Lending operations—private sector	1,044.0	1,672.5	989.7
(Provision for loan losses)	(44.4)	(47.5)	(28.1)

	As of September 30,		
	2009	**2010**	**2010**
Assets	**(R$ millions)**		**(U.S.$ millions)**
Other receivables	204.5	280.1	165.7
Other assets	30.6	32.7	19.3
Prepaid expenses	30.6	32.7	19.3
Permanent assets	**11.2**	**10.4**	**6.2**
Investments	0.4	0.4	0.2
Property and equipment in use	10.7	10.0	5.9
Real estate	10.5	10.5	6.2
(Accumulated depreciation)	(5.5)	(5.9)	(3.5)
Other	10.3	10.6	6.3
(Accumulated depreciation)	(4.6)	(5.2)	(3.1)
Intangibles	0.1	0.1	0.1
Intangible assets	0.3	0.4	0.2
(Accumulated Amortisation)	(0.3)	(0.3)	(0.1)
Total Assets	**6,177.4**	**9,329.2**	**5,520.2**

	As of September 30,		
	2009	2010	2010
Liabilities and shareholders' equity	(R$ millions)		(U.S.$ millions)
Current liabilities	**2,539.0**	**4,506.5**	**2,666.6**
Deposits	1,274.6	1,758.0	1,040.2
Demand deposits	89.6	332.4	196.7
Interbank deposits	146.1	28.3	16.7
Time deposits	1,036.5	1,395.7	825.9
Foreign currency deposits	0.9	1.6	0.9
Other deposits	1.6	–	–
Money market funding	320.9	1,724.2	1,020.3
Own portfolio	301.9	257.0	152.1
Third parties	19.0	1,467.2	868.2
Funds from acceptance and issuance of securities	417.1	169.8	100.5
Securities issued abroad	417.1	169.8	100.5
Interbank accounts	1.9	4.6	2.7
Interbranch accounts	4.3	10.6	6.3
Borrowings and onlendings	356.0	623.3	368.8
Foreign borrowings	313.1	536.6	317.5
Onlending operations	42.9	86.7	51.3
Derivatives	0.4	14.3	8.5
Technical reserves - insurance	6.6	20.5	12.1
Other payables	157.2	181.2	107.2
Collected taxes and other	1.8	3.4	2.0
Foreign exchange portfolio	11.5	6.5	3.9
Social and statutory	29.8	38.1	22.5
Tax and social security	64.1	85.5	50.6
Trading account	3.9	0.9	0.5
Other	46.1	46.8	27.7
Noncurrent liabilities			
Long-term liabilities	**1,985.8**	**3,082.2**	**1,823.8**
Deposits	1,056.8	1,489.8	881.5
Interbank deposits	4.6	–	–
Time deposits	1,052.2	1,489.8	881.5
Funds from acceptance and issuance of securities	172.4	487.2	288.3
Bills (*Letras Financeiras*)	–	1.0	0.6
Securities issued abroad	172.4	486.2	287.7
Borrowings and onlendings	400.9	646.5	382.5
Domestic borrowings	110.9	98.9	58.5
Foreign borrowings	263.7	384.7	227.6
Onlending operations	26.2	162.9	96.4
Derivatives	18.3	34.4	20.4
Other payables	337.4	424.3	251.0
Tax and social security	332.3	415.3	245.7

Liabilities and shareholders' equity	As of September 30, 2009	2010	2010
	(R$ millions)		(U.S.$ millions)
Other	5.1	9.0	5.3
Deferred income	5.7	4.3	2.5
Minority interest	0.5	0.6	0.4
Shareholders' equity	**1,646.3**	**1,735.6**	**1,027.0**
Capital—Brazilian residents	1,359.1	1,359.1	804.2
Capital reserves	0.2	0.2	0.1
Revaluation reserves	1.6	1.5	0.9
Profit reserves	272.0	252.2	149.2
Adjustment to fair value—securities and derivatives	1.1	4.0	2.4
Shares held in treasury	(39.0)	(7.9)	(4.7)
Retained earnings	51.3	126.5	74.9
Total liabilities and shareholders' equity	**6,177.4**	**9,329.2**	**5,520.2**

Assets	As of December 31, 2007	2008	2009	2009
		(R$ millions)		(U.S.$ millions)
Current assets	**4,980.7**	**5,219.1**	**5,021.0**	**2,971.1**
Cash	49.6	45.8	31.5	18.6
Interbank investments	1,994.4	1,801.4	2,142.8	1,268.0
Money market investments	1,925.4	1,784.7	2,075.6	1,228.2
Interbank deposits	56.6	10.1	48.8	28.9
Foreign currency investments	12.4	6.6	18.4	10.9
Securities and derivatives	164.4	633.3	303.8	179.8
Own portfolio	104.7	209.9	206.2	122.0
Linked to repurchase commitments	29.9	193.2	45.0	26.6
Derivatives	19.3	154.5	20.8	12.3
Linked to guarantees	10.5	73.7	30.7	18.2
Asset backed technical reserves	–	1.9	1.1	0.7
Interbank accounts	73.8	12.9	16.1	9.5
Restricted deposits—Central Bank of Brazil	67.4	2.9	2.0	1.2
Correspondents	6.5	10.0	14.1	8.3
Lending operations	2,422.6	2,371.3	2,223.1	1,315.4
Lending operations—public sector	18.4	12.8	4.6	2.7
Lending operations—private sector	2,467.1	2,501.4	2,380.5	1,408.6
(Provision for loan losses)	(62.9)	(142.9)	(162.0)	(95.9)
Other receivables	218.2	293.9	246.5	145.9
Foreign exchange portfolio	205.3	205.7	100.5	59.5
Income receivable	0.2	0.4	1.2	0.7
Insurance premiums pending receipt	–	0.3	0.5	0.3
Trading account	3.9	4.9	–	–
Other	8.7	96.4	145.2	85.9
(Provision for doubtful receivables)	–	(13.8)	(1.0)	(0.6)

	As of December 31,			
	2007	**2008**	**2009**	**2009**
Other assets	57.8	60.6	57.3	34.0
Repossessed assets	4.4	26.2	27.7	16.4
(Provision for depreciation of reposed assets)	–	(7.4)	(4.8)	(2.8)
Prepaid expenses	53.4	41.8	34.4	20.4
Noncurrent assets				
Long-term assets	**1,562.9**	**1,598.8**	**2,028.9**	**1,200.6**
Securities and derivatives	585.4	333.3	550.3	325.6
Own portfolio	111.6	33.4	339.8	201.1
Linked to repurchase commitments	409.0	254.2	201.6	119.3
Derivatives	2.5	18.1	2.1	1.2
Linked to guarantees	62.3	26.4	1.7	1.0
Asset backed technical reserves	–	1.2	5.1	3.0
Lending operations	809.8	1,027.9	1,242.2	735.1
Lending operations—public sector	0.7	5.1	1.3	0.8
Lending operations—private sector	824.0	1,057.6	1,291.1	764.0
(Provision for loan losses)	(14.9)	(34.8)	(50.2)	(29.7)
Other receivables	109.5	183.0	212.8	125.9
Other assets	58.2	54.6	23.6	14.0
Prepaid expenses	58.2	54.6	23.6	14.0
Permanent assets	**13.0**	**13.1**	**10.8**	**6.4**
Investments	0.5	0.4	0.4	0.2
Property and equipment in use	12.4	12.6	10.4	6.1
Real estate	11.2	10.9	10.5	6.2
Other	8.8	10.7	10.5	6.2
(Accumulated depreciation)	(7.6)	(9.0)	(10.6)	(6.3)
Intangibles	0.1	0.1	0.1	–
Intangible assets	0.4	0.4	0.4	0.2
(Accumulated Amortisation)	(0.3)	(0.3)	(0.3)	(0.2)
Total Assets	**6,556.6**	**6,831.0**	**7,060.8**	**4,178.0**

	As of December 31,			
	2007	**2008**	**2009**	**2009**
Liabilities and shareholders' equity		**(R$ millions)**		**(U.S.$ millions)**
Current liabilities	**3,926.3**	**3,435.7**	**3,314.1**	**1,961.0**
Deposits	1,834.2	1,258.5	1,241.4	734.5
Demand deposits	190.6	113.8	122.8	72.7
Interbank deposits	226.4	460.5	131.3	77.6
Time deposits	1,417.2	684.0	985.4	583.1
Foreign currency deposits	–	–	0.3	0.2
Other deposits	–	0.2	1.6	0.9
Money market funding	1,514.4	1,290.6	1,190.0	704.1
Own portfolio	432.2	440.4	244.1	144.4
Third parties	1,082.2	850.2	945.9	559.7
Funds from acceptance and issuance of securities	3.3	285.1	206.0	121.9

	As of December 31,			
	2007	2008	2009	2009
Liabilities and shareholders' equity		(R$ millions)		(U.S.$ millions)
Securities issued abroad	3.3	285.1	206.0	121.9
Interbank accounts	1.3	0.5	1.3	0.8
Interbranch accounts	15.0	2.7	1.0	0.6
Borrowings and onlendings	344.3	369.6	495.0	292.9
Domestic borrowings	134.3	31.0	–	–
Foreign borrowings	210.0	293.2	450.2	266.4
Onlending operations	–	45.4	44.8	26.5
Derivatives	2.6	19.0	5.9	3.5
Technical reserves - insurance	–	2.5	5.7	3.4
Other payables	211.2	207.2	167.8	99.3
Collected taxes and other	0.7	0.7	1.5	0.9
Foreign exchange portfolio	68.6	58.9	8.7	5.1
Social and statutory	46.2	29.9	25.7	15.2
Tax and social security	65.8	71.2	68.7	40.7
Trading account	1.2	15.6	0.3	0.2
Other	28.7	30.9	62.9	37.2
Noncurrent liabilities				
Long-term liabilities	**1,101.0**	**1,780.0**	**2,048.3**	**1,212.1**
Deposits	497.7	498.5	1,140.4	674.8
Interbank deposits	6.8	3.1	3.3	2.0
Time deposits	490.9	495.4	1,137.1	672.8
Funds from acceptance and issuance of securities	211.3	500.4	167.4	99.0
Securities issued abroad	211.3	500.4	167.4	99.0
Borrowings and onlendings	220.8	511.8	380.5	225.2
Domestic borrowings	–	120.0	122.0	72.2
Foreign borrowings	220.8	349.2	178.4	105.6
Onlending operations	–	42.6	80.1	47.4
Derivatives	0.1	1.1	19.3	11.4
Other payables	171.1	268.2	340.7	201.6
Tax and social security	169.3	264.2	336.1	198.9
Other	1.8	4.0	4.7	2.8
Deferred income	11.4	7.6	5.0	3.0
Minority interest	0.5	0.5	0.6	0.4
Shareholders' equity	**1,517.5**	**1,607.2**	**1,692.7**	**1,001.5**
Capital—Brazilian residents	1,359.1	1,359.1	1,359.1	804.2
Capital reserves	0.1	0.2	0.2	0.1
Revaluation reserves	2.1	2.0	1.6	0.9
Profit reserves	160.8	267.7	345.9	204.7
Adjustment to fair value—securities and derivatives	(4.6)	(4.9)	0.4	0.2
Shares held in treasury	–	(16.9)	(14.5)	(8.6)
Total liabilities and shareholders' equity	**6,556.6**	**6,831.0**	**7,060.8**	**4,178.0**

RISK FACTORS

As a general matter, investing in the securities of Brazilian issuers, such as Banco Daycoval involves a higher degree of risk than investing in securities issued by United States companies or financial institutions or companies or financial institutions in certain other countries with highly developed capital markets. In addition, prospective purchasers of the Notes should consider carefully certain factors regarding Banco Daycoval 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 these Listing Particulars 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 Banco Daycoval faces. Rather, these are the risks Banco Daycoval currently considers material. There may be additional risks that Banco Daycoval 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 Brazil

The Brazilian Government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence as well as Brazilian political and economic conditions could adversely affect us.

The Brazilian economy has been marked by frequent and sometimes significant interventions by the Brazilian Government on monetary, credit, tax and other policies. The Brazilian Government's actions to control inflation and implement other policies have in the past involved, among other measures, control over wages and prices, devaluation of the currency, controls on foreign capital and certain limits on imported merchandise and services. We cannot predict the effects of any measures or policies that the Brazilian Government might adopt in the future. We could be adversely affected by changes in public policy at the federal, state and municipal level relative to interest rates and exchange controls, as well as other factors, such as:

- variation in exchange rates;
- inflation;
- interest rates;
- liquidity in the domestic financial and stock markets and in the credit markets;
- tax policy and regulation; and
- measures of a political, social and economic nature that occur or that might affect Brazil.

Uncertainty over whether the Brazilian government will implement changes in policy or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and in the securities issued abroad by Brazilian issuers. The recent presidential elections in October 2010 and political and economic transition in Brazil may result in policy changes that may adversely affect our business and financial results. We cannot predict whether Brazilian governmental actions will result in adverse consequences to the Brazilian economy, our business, results of operations or financial condition or prospects, or impact our ability to satisfy payment obligations under the Notes.

Developments and the perception of risk in other countries, and particularly in emerging market countries, may adversely affect the market price of Brazilian securities, including our Notes.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours, which could adversely affect the market price of our Notes. See "—Risks Relating to the Brazilian Banking Industry and Us—The disruptions recently experienced in the international capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and could give rise to a decline in credit quality, increases in defaults and non-performing debt and could adversely affect our business results of operations and financial condition".

Inflation, and the Brazilian Government's measures to combat inflation, may contribute to economic uncertainty in Brazil, adversely affecting us.

In the past, Brazil has experienced high rates of inflation. Certain actions taken by the Brazilian Government to combat inflation have had negative effects on the Brazilian economy. Annual inflation rates were 7.9% in 2007 and 9.8% in 2008 and the annual deflation rate was 1.7% in 2009, as measured by the General Price Index - Internal Availability (*Índice Geral de Preços - Disponibilidade Interna).* Inflation in the nine-month period ended September 30, 2010 was 8.1%. The Brazilian Government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. Inflation, along 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 heightened volatility in the Brazilian securities market, which may have an adverse effect on us.

If Brazil experiences substantial inflation in the future, our results of operations may be adversely affected, negatively impacting our ability to comply with our obligations. Inflationary pressures could also reduce our ability to access foreign financial markets and lead to further government intervention in the economy, including the introduction of policies that adversely affect the performance of the Brazilian economy as a whole, and consequently, our own operations.

Exchange rate instability may adversely affect us.

As a result of several pressures, the Brazilian currency has been devalued periodically in relation to the U.S. dollar and other foreign currencies during the last four decades. Throughout this period, the Brazilian Government has implemented various economic plans and utilised a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. More recently, the effects of the floating exchange rate regime have led to significant exchange volatility in relation to the dollar and other currencies. As of September 30, 2010, the *real*/dollar exchange rate was R$1.69 to U.S.$1.00, representing an appreciation of the *real* to the dollar of approximately 2.9% compared to December 31, 2009. We cannot assure you that the *real*/dollar exchange rate will not continue to fluctuate significantly.

As of September 30, 2010, approximately 30.5% of our total funding was denominated in or linked to the U.S. dollar. A depreciation of the *real* against the U.S. dollar would increase the amounts in *reais* that we are required to pay under our U.S. dollar obligations. In addition, this depreciation could also increase loan defaults by our clients since they would be required to pay higher amounts in *reais* to service their debt obligations with us denominated in or linked to the U.S. dollar.

We enter into derivatives transactions to manage our exposure to exchange rate risk. Such derivatives transactions are designed to protect us against increases in exchange rates or against decreases in such rates, but not both. For example, if we have entered into derivatives transactions to protect against decreases in the value of the *real* and the *real* instead increases in value, we may incur financial losses. Such losses could adversely affect our future net income.

Depreciations of the *real* relative to the U.S. dollar could create inflationary pressures in Brazil, which may negatively affect us. Also, depreciations of the *real* restrict our ability to access foreign financial markets and may cause government intervention in the market. This intervention could lead to restrictive policies. In addition, a strong appreciation of the *real* relative to the U.S. dollar could adversely affect Brazil's external payments and may hinder the increase in exports. Any of these situations could have an adverse effect on us.

Any restrictions on bank loan interest rates may adversely affect us by decreasing our revenues and limiting our ability to make loans.

Decree No. 22,626, dated April 7, 1933, also known as the Usury Law (*Lei de Usura*), prevents any person or entity from charging interest rates higher than 12.0% per annum. However, the Banking Restructuring Law (*Lei da Reforma Bancária*), together with recent court decisions, have exempted banks from this prohibition. Any changes to the courts' views about this exemption or an amendment in the applicable laws and regulations limiting the interest rates that we can charge on our loans may adversely affect us.

Risks Relating to the Bank and the Brazilian Banking Industry

Interest rate changes by the Central Bank could adversely affect us.

The Central Bank's Committee for Monetary Policy (*Comitê de Política Monetária*) (the "COPOM") periodically establishes the special overnight clearance and custodial rate (*Sistema Especial de Liquidação e Custódia*) (the "SELIC rate"), which is the base interest rate for the Brazilian Financial System (*Sistema Financeiro Nacional*) and an important policy instrument for the achievement of inflation targets. The COPOM has frequently adjusted the SELIC rate in response to economic uncertainties and to achieve the goals of the Brazilian Government's economic policies. For the years ended December 31, 2007, 2008 and 2009, the SELIC rate was 11.18%, 13.66% and 8.66%, respectively. The COPOM has increased the SELIC rate during 2010 and, as of September 30, 2010 the SELIC rate was 10.66%.

Increases in the SELIC rate could adversely affect us by reducing demand for credit, increasing our cost of funding and increasing the risk of default by our clients. Decreases in the SELIC rate could also adversely affect us by decreasing the interest income we earn on our interest-earning assets and lowering our margins. We enter into derivatives transactions to manage our exposure to interest rate risk, however, such derivatives transactions are designed to protect us against increases in interest rates or against decreases in such rates, but not both. For example, if we have entered into derivatives transactions to protect against decreases in interest rates and interest rates increase, we may incur financial losses. Such losses could adversely affect our future net income.

The Brazilian Government regulates the operations of Brazilian banks, and changes in existing laws and regulations or the imposition of new laws and regulations may adversely affect us.

Brazilian banks, including us, are subject to extensive and continuous regulatory review by the Central Bank. We cannot predict when the Brazilian Government, through the CMN or the Central Bank, will modify or create new regulations applicable to all or part of our operations, including regulations that impose:

- minimum capital requirements;
- compulsory deposit requirements;

- lending limits and other credit restrictions;
- foreign currency risk limits; and
- accounting and statistical requirements.

The regulatory structure governing Brazilian financial institutions 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. Any of these changes could adversely affect us.

In particular, the Brazilian Government has historically enacted regulations affecting banks in an effort to implement economic policies. These regulations are intended to control the availability of credit and reduce or increase consumption in Brazil (including by increasing compulsory deposit requirements and reducing the amount of resources available for financings and investments). There can be no assurance that the Central Bank will not increase or impose new reserve or compulsory deposit requirements. These changes may adversely affect us because our returns on compulsory deposits are lower than those we obtain on our other investments. In addition, the Central Bank may decide to implement certain guidelines set forth in the Basel II Accord, which may result in a more strict risk management and may restrict the use of our resources in accordance with our strategies.

We may not be able to comply with the minimum capital requirements established by the Central Bank and the CMN in the future or to pay dividends or make other distributions as a result of such requirements.

As a general rule, the Central Bank and the CMN require that banks comply with regulations similar to those of the Basel II Accord regarding sufficiency or adequacy of capital. According to Communication No. 16,137 of the Central Bank, the requirements for use of certain capital calculation models included in the Basel II Accord are to be implemented by 2012, with emphasis on changes in the allocation of capital for credit risk and the allocation of capital to operating risk.

In addition, pursuant to Resolution No. 3,490 of August 29, 2007 of the CMN, and Central Bank Circular No. 3,383 of April 30, 2008, the Central Bank requires banks to set aside a portion of their equity to cover operational risks (i.e., losses arising from failures, deficiency or inadequacy of internal procedures, personnel or systems, including due to external events). Resolution No. 3,490 became effective as of July 1, 2008 and the equity to cover operational risks varies from 12% to 18% of average income from financial intermediation. The risk-weighted capital ratio required by us and all other banks in Brazil is currently 11.0% of risk-based exposure. Our Basel index was 21.2% as of September 30, 2010.

On June 28, 2010, the Central Bank issued Circular No. 3,498, establishing new rules for calculation of minimum capital maintained by financial institutions to avoid market risks. The new calculation rules will result in an increase in the financial institution’s capital requirements.

Further, Circular No. 3,498 established a timeline for the implementation of such changes, providing for a gradual increase in the minimum capital requirements as of January 2012. Pursuant to the notice published by the Central Bank jointly with Circular No. 3,498, the new rules are intended to enhance the Brazilian Financial System in a manner that reflects international regulatory standards agreed by the economic forum consisting of 20 of the world’s largest economies (the “G-20”) and that stimulates developments in market risk management of financial institutions.

We may be unable to meet the minimum capital adequacy requirements required by the Central Bank. We may also be compelled to limit our lending, dispose of our assets and/or take other measure that may adversely affect our business, results of operations and financial condition.

Actions taken by the Central Bank toward other Brazilian financial institutions may have an adverse effect on us.

In November 2010, following verification of certain accounting inconsistencies in Banco Panamericano S.A.'s financial statements, its controlling shareholder transferred to it R$2.5 billion, obtained from the FGC - Fundo Garantidor de Créditos (Credit Guarantee Fund) and guaranteed by the assets of the group of the controlling shareholder, in order to allow for certain adjustments to be made to re-establish the equity balance and increase the operational liquidity of Banco Panamericano S.A., without any change in its capital stock or shareholders' equity.

We cannot guarantee that the Central Bank will not attempt to intervene in the affairs of Banco Panamericano S.A. or any other Brazilian financial institutions. If the Central Bank takes these actions, we, along with other mid-sized and smaller Brazilian financial institutions, may suffer unexpected withdrawals of deposits and may be unable to timely obtain new funding at reasonable cost, which may adversely affect our business, results of operations and financial condition.

Changes in regulations regarding compulsory deposits may adversely affect us.

The Central Bank has periodically changed the level of compulsory deposits that financial institutions in Brazil are required to maintain with the Central Bank. The Central Bank may increase its compulsory deposit requirements in the future or impose new compulsory deposit requirements.

Compulsory deposits generally yield lower returns than our other investments and deposits because:

- a portion of our compulsory deposits do not bear interest;
- a portion of our compulsory deposits must be held in Brazilian Government securities; and
- a portion of our compulsory deposits must finance the Brazilian rural sector and, for certain banks, the Brazilian housing sector.

Our compulsory deposits in connection with demand deposits were R$2.9 million as of September 30, 2010, a significant reduction from prior years. This lower level of compulsory deposits reflected a change in Central Bank regulations made on December 19, 2008 intended to improve liquidity in the Brazilian financial system (as a response to the global economic crisis).

Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Financial Condition and Results of Operations—Compulsory Deposit Requirements".

The increasingly competitive environment in the Brazilian banking industry may adversely affect us.

The markets for financial and banking services in Brazil are highly competitive. We face significant competition from other large Brazilian and international banks. The Brazilian banking industry underwent a period of consolidation in the 1990s, when a number of Brazilian banks were liquidated and other state-owned and private banks were sold. Competition increased during this period as foreign banks entered the Brazilian market through the acquisition of Brazilian financial institutions. The privatisation of state-owned banks has also made the Brazilian markets for banking and other financial services more competitive.

Traditionally, our competitors in the middle market and the individual lending segments have been specialised medium-sized banks. However, in recent years large domestic and foreign banks and financial institutions have started to operate in these segments. This has occurred simultaneously with a further period of consolidation in the Brazilian banking sector. Of particular significance in the past few years, Banco do Brasil acquired Banco Nossa Caixa S.A. and a 50% interest in Banco Votorantim S.A., Caixa Econômica Federal S.A. acquired 35% of Banco Panamericano S.A., the Itaú group merged with the Unibanco group and Banco Santander (Brasil) S.A. acquired Banco ABN AMRO Real S.A. These acquisitions may be followed by other domestic or international acquisitions and result in additional consolidation in the middle market and the individual lending segments, which could significantly change the competitive landscape in which we operate. We cannot guarantee that we will compete successfully with these banks, primarily because they have more resources than we do and have an extensive network of branch offices and distribution channels.

In addition, our business in the payroll deduction loan segment may be adversely affected if our competitors are able to obtain exclusive agreements with governmental authorities for this kind of product.

Moreover, certain of our competitors currently are, or intend to become, publicly-held companies, which will considerably increase their shareholders' equity and, as a result, increase the level of competition. Increased competition may reduce the spreads we earn and result in the loss of our managers, who may be hired by our competitors and decrease our marketing power.

Increased competition adversely affects us by, among other things, limiting our ability to increase our client base and expand our operations, reducing our profit margins on the banking and other services and products we offer, and increasing competition for investment opportunities. See "Business—Competition".

An increase in our loan portfolio, particularly in the middle market segment, may adversely affect us.

An increase in our loan portfolio may increase the level of our loans in default and provision for loan losses if this increase is caused by a less conservative management of our operations. In addition, a close relationship with corporate clients is essential to a successful performance in the middle market segment. The increase in the volume of our loan operations and in the number of our clients may harm our relationships with corporate clients since we may lose new business opportunities and distance ourselves from our existing clients.

The middle market segment consists of small- and medium-sized companies, which typically have lower levels of corporate governance and may provide us with incorrect information when we assess their risk. As a result, we may inadvertently grant loans to companies that do not meet our standard loan criteria, which may adversely affect us.

Limits on the maximum interest rates we are allowed to charge on our payroll deduction loans could adversely affect us.

We are subject to limits on the interest rates we charge on our loans to pension beneficiaries and retirees of the Social Security Agency (*Instituto Nacional da Seguridade Social*) ("INSS"), and to other government entities with which we have agreements governing our payroll deduction loan segment. We cannot guarantee that these entities will maintain the maximum applicable interest rates at current levels. For example, due to the reduction in the SELIC rate from 15.25% per year to 14.75% per year, on July 19, 2006, the INSS reduced the maximum interest rate applicable to its pension beneficiaries and retirees from 2.90% to 2.86% per month. The INSS has since further reduced such rate and it is currently 2.50% per month. In the event that the INSS decides to implement new reductions to the rates applicable to our loans or any other government entity reduces the limits on applicable interest rates, we could be adversely affected.

Payroll deduction loans are subject to changes in applicable laws and regulations and to the interpretation of such laws and regulations by Brazilian courts, as well as to changes in policies by public entities.

Payroll deduction loans are governed by several laws and regulations at the federal, state and municipal levels, establishing limits on the amounts that can be deducted and the irrevocability of the authorisation of the payroll deduction given by the public employee, retiree or pension recipient prior to the repayment of the loan.

The adoption of any new law or regulation or the change, revocation or new interpretation of any existing law or regulation, that results in a prohibition or restriction on our ability to make these direct deductions could increase our loan portfolio's risk profile, increase the interest rates of our consumer loans and lead to a higher percentage of losses. We cannot guarantee that the laws and regulations relating to direct payroll deductions from public employees or the INSS will not be changed or revoked in the future.

In June of 2004, the Brazilian Superior Court of Justice determined that the irrevocable nature of the authorisation given by a public servant from the state of Rio Grande do Sul to deduct loan payments directly from his payroll was abusive and, therefore, null and invalid. Although the same Superior Court of Justice awarded a new decision in June 2005 recognising that the irrevocability of these authorisations is legal and valid, we cannot guarantee that this decision will be followed by other courts.

In addition, the granting of payroll deduction loans to public employees, INSS retirees and pension beneficiaries requires the authorisation of the public entities to which those persons are connected. The Brazilian Government or other government entities can change the regulations applicable to these authorisations. Currently, we have no authorisation to offer payroll deduction loans to the employees of certain state or municipal governments because the laws of those states and municipalities will only allow state-owned banks to grant such loans. Other government agencies could enact regulations in the future to restrict or prevent us from offering payroll deduction loans to their employees. As of September 30, 2010, our payroll deduction loan portfolio was almost entirely made up of payroll deduction loans to public employees and INSS retirees and pension beneficiaries, and any changes or implementation of new laws or regulations that restricts or prevents us from granting these type of loans could adversely affect us.

Our ability to make direct payroll deductions depends on the effectiveness and validity of the agreements we enter into with the private and public sector employers of the persons who have taken such loans and on those persons remaining employed.

A portion of our revenues is derived from our payroll deduction loan transactions, the payments of which are directly deducted from an employee's or retiree's paychecks. These deductions could be suspended if the agreements we entered into with our borrowers' private or public sector employers are terminated, or if these borrowers' employment is terminated, including as a result of death of the borrower.

If any of these agreements are terminated, we may need to implement a new collection system of payroll deduction loans, which may not be as effective as the previous one or have higher operating costs. As a result, our operations in this segment may decrease. If an employee has his or her employment terminated because the employee leaves his or her job, or has deceased, the payment of the loan may depend exclusively on the financial ability of the borrower or his or her estate to repay the loan. In these circumstances we may not recover all or part of the credit we extended to such persons.

In addition, if a borrower divorces, Brazilian law provides that in certain circumstances, the alimony due by the borrower may be directly deducted from his or her paycheck. These deductions may have priority over other debts of the borrower (including our credit) and, as a result, we may not receive all or part of the amount owed to us.

Any of these risks could increase the risk of our payroll deduction loan portfolio, which could adversely affect us. These risks could also cause an increase of administrative and other expenses for the collection of payments, including the implementation of a new collection system caused by termination of agreements, which could adversely affect us.

Deterioration of our relationship with, poor performance by, or bankruptcy of, our third-party service providers or sales teams may adversely affect us.

We use third-party service providers to assist, support and maintain certain of our back-office departments and certain of our communications, IT and point-of-sale systems. If these third-party service providers fail to meet their assistance, support and maintenance obligations, we could be adversely affected. In addition, our revenues from payroll deduction loans and auto loans are highly dependent on the willingness and ability of our banking correspondents and their independent sales agents to identify new borrowers for us. Our relationship with our banking correspondents is not exclusive, so they may generate business for other banks. If the effectiveness of our banking correspondents and their independent agents were to deteriorate, and we are unable to replace them with new banking correspondents and agents, we may lose clients, fail to gain new clients or experience significantly reduced revenues from our payroll deduction and auto loan businesses, which would adversely affect us.

Changes in tax and social security regulations may adversely affect us.

To support its fiscal policies, the Brazilian Government regularly implements changes to tax and social security regimes that affect our clients and us. These reforms include changes in tax rates and tax assessment criteria and the enactment of temporary taxes, the proceeds of which are earmarked for specific governmental purposes. See "The Brazilian Financial System—Taxation in Brazil". Some of these measures, such as the recently implemented increase in the amount of social contribution payable by banks and the imposition of a tax on financial transactions (*Imposto sobre Operações Financeiras*) ("IOF") of 6% on the entry of foreign funds in relation to some specific money market investments, may result in increases in our payments of taxes and social contributions, which could adversely affect our profitability and ability to engage in certain transactions. In addition, changes in tax and social securities regulations may result in uncertainties in the Brazilian financial system, and increase our funding costs and the default rates of our borrowers, which may adversely affect us.

The risks associated with our treasury activities and open market activities may have an adverse affect on our financial condition.

In recent years, a portion of our gross revenues and operating profit have been derived from market operations conducted by our treasury division and involving trading in a variety of Brazilian Government securities and financial instruments. The majority of these revenues have resulted from credit operations. There are various risks to us associated with such activities, including market and counterparty risks. We have been actively seeking to expand our business into more traditional banking products in order to diversify our revenue base. However, we intend, for so long as we perceive opportunities for such operations, and consider involvement in such activities to be in our interests, to continue such operations. Accordingly, our financial condition and our net income in future periods will continue to be exposed to the risks inherent in such activities, which may have an adverse affect on us.

Any imbalance between our loan portfolio and our sources of funds could adversely affect our operating results and our capacity to expand our credit transactions.

We are exposed to certain imbalances between the loans we make and our obligations to our funding providers in relation to the interest rates and maturity dates of these loans and obligations. A portion of our loan portfolio is made up of fixed interest rate credits and the yield from our credit transactions depends on our ability to balance the cost of our funding with the interest rates charged to our clients. An increase in the market interest rates in Brazil could increase our cost of funding, especially the cost of our time deposits, and may force us to reduce the spread we charge on our loans, adversely affecting us.

Any mismatch between the maturity of our loans and our sources of funds would potentially result in an imbalance in the interest rates on these loans and funding sources, which could create problems in our liquidity if we fail to continue to be able to obtain funding at favourable rates. An increase in the total cost of our sources of funds for any of these reasons could result in an increase in the interest rates on our loans, which could, as a result, affect our ability to attract new clients. Any decrease in the level of our loan portfolio may adversely affect us.

Time deposits are an important source of funding for us.

Our sources of funding are not broadly diversified and we rely on time deposits as our principal funding source. As of September 30, 2010, 41.8% of our funding was obtained from time deposits.

Our ability to obtain additional funding will depend on, among other factors, our performance and future market conditions. We cannot assure you that time deposits will continue to be available on favourable terms to us or at all. If we are unable to obtain sufficient new funding, we may not be able to continue growing our loan portfolio or to respond effectively to changes in business conditions and competitive pressures, which could have an adverse effect on us.

A downgrading in our credit rating may increase our costs of funding.

Our costs of funding are influenced by a number of factors, some of which are out of our control, such as prevailing macroeconomic conditions and the regulatory environment for Brazilian banks. Any unfavourable change in these factors may cause a negative impact in our credit rating, which could restrict our ability to obtain funding, transfer loan portfolios or issue securities on acceptable terms, increasing our cost of funding.

A deterioration in the creditworthiness of the receivables our clients provide as collateral to our loans, or difficulties in repossessing and realising value from collateral with respect to defaulted loans, may adversely affect us.

Most of the financings we grant to our clients, particularly mid-sized companies, are secured by pledges of receivables from third parties. Any reduction in the creditworthiness of these third parties may negatively affect our ability to collect receivables from our clients and therefore may adversely affect us.

In addition, some of our loans, such as vehicle financing, are secured by assets that are expensive to repossess and difficult and cumbersome to store and manage or in respect of which security has not been properly taken or registered. Upon default by our clients, it may be difficult for us to repossess and to realise value from collateral with respect to the underlying loans. If we experience higher rates of default on our loans that are secured with these types of assets, provisioned amounts may be inadequate and we would incur higher losses from the defaulted loans.

We may not successfully implement our strategies, which may adversely affect us.

We intend to implement several business strategies that we believe will be essential for our future growth. Among these strategies, we plan to expand our market share in the middle market segment by increasing our customer base, improving our distribution structure and offering tailor-made products to our clients. We also plan to seek to consolidate and expand our market share in the individual lending segment by offering new credit products and by taking advantage of our current distribution network. We cannot assure you that we will successfully implement these or any other strategies, which would have an adverse effect on us.

The loss of any of our key managers, our inability to attract and maintain additional management personnel may adversely affect us.

Our ability to maintain our competitive position and implement our growth strategy is highly dependent on our management team. We cannot assure that we will not lose any of our current key managers or that we will be successful in attracting and maintaining qualified personnel to be part of our management team, which may adversely affect us.

Our controlling shareholders' interests could conflict with interests of the holders of the Notes.

We are controlled by Daycoval Holding Financeira S.A., which holds 100.0% of our voting shares and 65.8% of our total capital stock. Daycoval Holding Financeira S.A. is controlled by the Dayan family. See "Summary—Structure of Banco Daycoval S.A". In common with all Brazilian financial institutions, we are monitored by the Central Bank to ensure we comply with regulations that prevent an abuse of such power. Specifically, Article 34 of Law No. 4,595 of December 31, 1964 prevents any Brazilian financial institution from granting loans to members of their board of directors or persons holding 10.0% or more of their share capital. However, this level of control enables the Dayan family, indirectly, to elect and control the decisions of our Board of Executive Officers and to determine the outcome of all of actions requiring shareholders' approval. Decisions in relation to our policy towards acquisitions, divestitures, financings or other transactions could be made by the Dayan family which may be contrary to the interests of holders of the Notes, and which may have a negative impact on the interests of holders of the Notes. See "Summary—Structure of Banco Daycoval S.A.".

There may be less publicly available corporate disclosure about us than is regularly published by or about listed companies in certain countries with highly developed capital markets.

A principal objective of the securities laws of the United Kingdom, the United States, Brazil and other countries is to promote full and fair disclosure of all material information of companies issuing securities. As a Brazilian listed bank, we are subject to extensive regulation by the Central Bank of Brazil and the CVM, which requires us (to a greater extent than non-bank and non-listed entities) to disclose information concerning our operations and financial condition. However, there may be less publicly available information about us than is regularly published by or about listed companies in certain countries with highly developed capital markets, such as the United Kingdom or the United States.

The disruptions recently experienced in the international capital markets have led to reduced liquidity, increased credit risk premiums and a reduction of available financing. Banks, such as us, located in emerging markets may be particularly susceptible to these disruptions which could result in financial difficulty.

The recently experienced disruptions in the international capital markets led to reduced liquidity and increased credit risk premiums for certain market participants and could give rise to a decline in credit quality, increases in defaults and non-performing debt. While market conditions have recovered in 2009 and 2010, if market conditions and circumstances do not experience a sustained recovery or deteriorate again, this may lead to a decline in credit quality, increases in defaults and non-performing debt, among other things, which may have an adverse effect on our business, results of operations and financial condition.

In addition, the availability of credit to entities, such as us, operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in a market) could affect the price or availability of funding for entities within any emerging market.

Increased regulation following recent developments in global markets.

Recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in France, the United Kingdom, the United States, Belgium, Luxembourg and elsewhere have provided additional capital and funding and are implementing other measures including increased regulatory control in their respective banking sectors including by imposing enhanced capital requirements. It is uncertain how the more rigorous regulatory climate will impact financial institutions, including us. It is also uncertain whether further regulatory requirements (including capital adequacy requirements) will be introduced in such countries or elsewhere, including Brazil.

The changes in Brazilian GAAP for conversion into IFRS may adversely impact our financial statements.

The Bank prepares its financial statements in accordance with Brazilian GAAP, which differs in certain significant respects from IFRS. As a result, the financial information presented in these Listing Particulars may differ significantly from financial statements prepared in accordance with IFRS or the accounting standards of other countries. The Bank has made no attempt to identify or quantify the impact of those differences.

The CVM and the Central Bank require that publicly-listed companies, and companies subject to Central Bank supervision, present consolidated financial statements prepared in accordance with IFRS as of and for the year ending December 31, 2010, with comparative figures for 2009.

Due to the enactment of Law No. 11,638 and Law No. 11,941, the CPC has issued and will continue to issue new accounting standards to align Brazilian GAAP more closely with IFRS. Accounting standards issued by CPC and applicable to financial institutions must be approved by the Central Bank. When the Bank presents its financial statements as of and for the year ending December 31, 2010, its consolidated financial statements as of and for the year ended December 31, 2009, and for prior periods, presented herewith will be required to be restated.

No reconciliation of IFRS of any of the financial statements presented in these Listing Particulars has been prepared. There can be no assurance that such a reconciliation would not identify material quantitative differences between our financial statements as prepared on the basis of accounting principles determined by Brazilian GAAP and our financial statements as prepared on the basis of IFRS.

Further changes in accounting standards may have a significant impact on our financial statements, with possible effects on our results of operations, including a potential impact on the distribution of dividends as well as on our ability to comply with financial covenants assumed when entering into financial agreements. Potential investors should consult their own professional advisors for an understanding of the potential differences between IFRS and Brazilian GAAP in effect from 2010, and how those differences might affect the financial information included herein.

Risks Relating to the Notes

Noteholders may not be fully compensated for the amount invested in the Notes plus accrued interest if we declare bankruptcy, violate banking regulations on a recurring basis or are insolvent.

In February 2005, Law No. 11,101, the Bankruptcy Law was enacted in Brazil, the main goal of which is to prevent the liquidation of viable companies that are capable of fulfilling their debt obligations. The Bankruptcy Law seeks to do that by providing greater levels of flexibility to design reorganisation strategies, while increasing safeguards for secured creditors. It also seeks to improve creditors' ability to recover their claims by allowing for judicial approval of settlement agreements and plans of reorganisation between the debtor and a committee of creditors. While the insolvency of financial institutions and mixed capital companies remain governed by specific regimes (intervention, extrajudicial liquidation and temporary special administration, each of which is discussed in further detail below), they are subject to the Bankruptcy Law on a subsidiary basis, to the extent applicable, until such time as a specific set of rules is enacted (Article 197 of the Bankruptcy Law). Therefore, Noteholders will not be able to take full advantage of the Bankruptcy Law's more flexible provisions and must continue to rely on Law No. 6,024, dated March 13, 1974, which governs the intervention into, and the administrative liquidation of financial institutions by the Central Bank. See "The Brazilian Financial System and Banking Regulation—Bank Failure".

The Central Bank may (i) intervene in our operations and management or (ii) liquidate us if we:

- suffer losses due to bad management that places our creditors at risk;
- commit recurrent violations of banking regulations;

- are insolvent; or
- request the Central Bank to intervene in our operations.

During the 12-month intervention period, our liabilities for obligations contracted prior to the commencement of the intervention period are suspended. Upon commencement of an administrative liquidation proceeding against us, all potential and ongoing lawsuits asserting claims over our assets will be automatically suspended, and all of our outstanding obligations will be simultaneously accelerated. In addition, certain credits, such as credits for salaries, among others, will have preference over any other credits, including secured credits. As the Notes are unsecured and would constitute general unsecured claims in an administrative liquidation proceeding, in the event that the Central Bank intervenes in our operations or commences liquidation proceedings against us, Noteholders may not be fully compensated for the amount they invested in the Notes, plus accrued interest. See "The Brazilian Financial System and Banking Regulation—Bank Failure."

It may be difficult to enforce civil liabilities against us or our directors and officers.

We are organised under the laws of Brazil, and all of our directors and officers reside in Brazil. In addition, substantially all of our assets and most or all of the assets of our directors and officers are located in Brazil. As a result, it may be difficult for investors to effect service of process outside Brazil on such persons or to enforce judgments against them, including in any action based on civil liabilities under the securities laws of any jurisdiction other than Brazil. See "Enforcement of Judgments."

We may issue Notes that are subject to a Foreign Currency Constraint.

The Notes may contain a Foreign Currency Constraint provision, as more fully described in the Conditions and in the applicable Final Terms. Upon the occurrence of a Foreign Currency Constraint Event, holders of Notes affected thereby may elect to exchange the Notes for an equivalent nominal amount of Exchanged Notes with terms and conditions identical to the terms and conditions of the original Notes, except that payments in respect of the Exchanged Notes will be made in the lawful currency of Brazil. Upon termination of the Foreign Currency Constraint Event, Exchanged Notes will be exchanged for an equivalent nominal amount of the original Notes and such holder will receive future payments in respect of the Notes in the Specified Currency of the Notes. If a holder does not elect to receive payments in the lawful currency of Brazil by making such exchange, after the termination of the Foreign Currency Constraint Event such holder will receive any payments in respect of the Notes in the Specified Currency of the Notes. A Foreign Currency Constraint Event will not be deemed an Event of Default provided that we have fully complied with our obligations under Condition 7(i). Holders of Notes containing a Foreign Currency Constraint provision shall have no recourse against our assets and operations outside Brazil, including, without limitation, our assets and operations in the Cayman Islands.

In the event of the occurrence of a Foreign Currency Constraint Event in Brazil and the decision by a Noteholder to receive amounts due under the Notes in the Specified Currency in which payments are due, interest will accrue on any unpaid principal amounts of the Notes of such Noteholder at the interest rate on such Notes from the date payment was due until the date of payment, subject to limitations in the event that payments are held by financial institutions to comply with certain requirements of the Brazilian government or the Central Bank. For these Notes, interest will not accrue on overdue payments of interest or additional amounts, if any. See "Terms and Conditions of the Notes—Condition 7(i) (Currency Constraint)".

In the event we are required to pay any amount due in respect of Notes issued through our Cayman Islands Branch from Brazilian sources, it is not certain that the necessary governmental approval will be obtainable at a future date.

Under Brazilian law, the issue of Notes through our Cayman Islands Branch is not subject to the Central Bank's prior approval and/or registration. In the event we are required to pay any amount due in respect of such Notes from Brazilian sources, or our principal office is substituted for the Cayman Islands Branch in respect of such Notes in accordance with the terms and conditions of such Notes, we will need the specific approval of the Central Bank. Any specific approval from the Central Bank may only be requested when such payment is to be remitted abroad, and will be granted by the Central Bank on a case-by-case basis. It is not certain that any such approval will be obtainable at a future date.

Additional Notes issued in the same series may be treated as a separate issue for U.S. federal income tax purposes.

The Issuer may, without the consent of the holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate issue for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with original issue discount ("OID") even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. See "Taxation—United States Federal Income Taxation Considerations" for a discussion of OID. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Substitution of the Issuer.

The terms and conditions of the Notes contain provisions permitting the Issuer, without consent of the Noteholders, to substitute for itself any other branch or office of the Issuer as principal debtor under the Notes. Any such substitution must be by a deed poll and shall be subject to the satisfaction of the conditions set forth in the terms and conditions of the Notes, including the delivery of legal opinions addressed to the Noteholders relating to the assumption by the substitute of all of the obligations of the Issuer under the Notes and other matters relating thereto. See "Terms and Conditions of the Notes—Meetings of Noteholders, Modifications and Substitution—Substitution".

Subordination to Certain Statutory Liabilities.

Under Brazilian law, our obligations under the Notes are subordinated to certain statutory preferences. In the event of our liquidation, such statutory preferences, such as claims for salaries, wages, social security, other employment related claims and taxes, court fees and expenses will have preference over any other claim, including claims by any holder in respect of the Notes and those guaranteed by a security interest.

Absence of Public Markets.

Application has been made to list the Notes issued under the Programme on the Irish Stock Exchange (Global Exchange Market). However, the Notes are new securities for which there is currently no established market. We cannot assure Noteholders as to the development or liquidity of any market for the Notes.

The liquidity of and trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Such a decline may adversely affect our liquidity and trading markets independent of our prospects of financial performance.

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 and emerging market 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. There can be no assurance that events in Latin America or elsewhere will not cause a continuation or recurrence of such market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect on our business.

Judgments of Brazilian courts enforcing our obligations under the notes would be payable only in reais.

If proceedings were brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge our 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 in effect on the date of payment. There can be no assurance that such rate of exchange will afford the full compensation of the amount invested in the notes plus accrued interest, if any.

FOREIGN EXCHANGE RATES AND EXCHANGE CONTROLS

Before March 14, 2005 there were two foreign exchange markets in Brazil, the commercial rate exchange market and the floating rate exchange market, where exchange positions of Brazilian banks in the commercial market and the floating market were unified and differentiated solely for regulatory purposes. The commercial market was reserved primarily for foreign trade transactions and transactions that generally require prior registration with the Central Bank, such as the purchase and sale of registered investments by foreign persons and related remittances of funds abroad. Purchases of foreign exchange in the commercial market could be carried out only through a financial institution in Brazil authorised 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. Prior to the implementation of the Real Plan, the commercial market rate and the floating market rate differed significantly at times. However, since the introduction of the *real* in 1994, the two rates have not differed significantly.

On March 4, 2005, the CMN unified the commercial market and the floating market through the enactment of Resolution No. 3,265, effective March 14, 2005, thereby producing a single exchange market in place of the previous two. The unified 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 authorised to deal in foreign exchange.

On March 24, 2010, the CMN approved Resolution No. 3,844, adopting a series of measures to consolidate and simplify the Brazilian foreign exchange regulations. These changes are expected to reduce the effective cost of foreign exchange transactions and the related administrative expenses for both the public and private sectors, as well as to provide more legal certainty for the parties to such transactions.

As of the date of these Listing Particulars, all financial transfers from Brazil to other countries and from abroad to Brazil, either in Brazilian currency or in any foreign currency, related to foreign capital flows governed by CMN Resolution No. 3,844, must comply with the general rules applicable to the Brazilian foreign exchange market, such as complying with all laws, be supported by proper documentation and have a reasonable economic justification.

Exchange rates for the *real* can be highly volatile. The *real* appreciated 17.3% during 2007 from R$2.14 per U.S.$1.00 on December 31, 2006 to R$1.77 per U.S.$1.00 on December 31, 2007. In 2008, mainly as a result of the negative impact of the global financial crisis on the Brazilian economy, the *real* depreciated significantly against the U.S. dollar, to R$2.34 per U.S.$1.00 on December 31, 2008, representing a depreciation of 32.2% in relation to the rate at December 31, 2007. During 2009, the *real* stabilised and then appreciated against the U.S. dollar and, at December 31, 2009, the U.S. dollar/*real* exchange rate was R$1.74 per U.S.$1.00, representing an appreciation of 25.6% in relation to the rate at December 31, 2008. The *real* has continued to appreciate during 2010 and, as of September 30, 2010, the dollar/*real* exchange rate was R$1.69 to U.S.$1.00.

At January 12, 2011, the rate for purchasing U.S. dollars was R$1.68 to U.S.$1.00. We cannot assure you that the *real* will not devalue substantially or that it will not continue to appreciate against the U.S. dollar.

The following table shows the *real*/U.S. Ptax 800 selling rate for U.S. Dollars for the periods and dates indicated:

	Closing Selling Rates of R$ per U.S.$1.00			
Year Ended December 31,	**Low**	**High**	**Average(1)**	**Period End**
2006	2.06	2.37	2.18	2.14
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
2010	1.66	1.88	1.76	1.67

Month Ended	**Low**	**High**	**Average(1)**	**Period End**
July 2010	1.75	1.80	1.77	1.76
August 2010	1.75	1.77	1.76	1.76
September 2010	1.74	1.74	1.72	1.69
October 2010	1.66	1.71	1.68	1.70
November 2010	1.68	1.73	1.71	1.72
December 2010	1.67	1.71	1.69	1.67
January 2011 (to January 12)	1.65	1.69	1.68	1.68

Note:

(1) Represents the average of exchange rates on each day of each respective month during the periods indicated.

Source: Central Bank.

USE OF PROCEEDS

We will use the net proceeds of any issue of Notes for our general corporate purposes or as otherwise specified in the applicable Final Terms.

CAPITALISATION OF BANCO DAYCOVAL S.A.

The table below shows our capitalisation as of September 30, 2010. You should read this table in conjunction with "Presentation of Financial Information", "Summary Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and our unaudited consolidated financial statements and the related notes included elsewhere in these Listing Particulars.

	As of September 30, 2010	
	(R$ millions)	**(U.S.$ millions)(1)**
Short-term liabilities		
Deposits	1,758.0	1,040.2
Money market funding	1,724.2	1,020.2
Funds from acceptance and issuance of securities	169.8	100.5
Interbank accounts	4.6	2.7
Interbranch accounts	10.6	6.3
Derivatives	14.3	8.5
Borrowings and onlendings	623.3	368.8
Technical provisions	20.5	12.1
Other payables	181.2	107.2
Total	**4,506.5**	**2,666.6**
Long-term liabilities		
Deposits	1,489.8	881.5
Funds from acceptance and issuance of securities	487.2	288.3
Borrowings and onlendings	646.5	382.5
Derivatives	34.4	20.4
Other payables	424.3	251.0
Total	**3,082.2**	**1,823.8**
Deferred income	**4.3**	**2.5**
Minority interest	**0.6**	**0.4**
Total shareholders' equity	**1,735.6**	**1,027.0**
Total capitalisation(2)	**9,329.2**	**5,520.2**

Notes:

(1) Translated into U.S.$ solely for the convenience of the reader. The rate used to translate such amounts was R$1.69 to U.S.$1.00 (subject to rounding adjustments), which was the exchange rate in effect as of September 30, 2010, as reported by the Central Bank.

(2) Total capitalisation corresponds to short- and long-term liabilities, deferred income, minority interest and total shareholders' equity.

On November 23, 2010, we entered into a financing agreement with the Inter-American Investment Corporation pursuant to which it and a syndicate of banks extended loans to us in an aggregate amount of U.S.$112.5 million, made up of two tranches with three year and five year maturities.

On December 29, 2010, we approved the payment of interest on capital in the amount of R$25.0 million, to be available to shareholders on January 17, 2011.

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

The following discussion of our financial condition and results of operations is based on, and must be read in conjunction with, our unaudited consolidated financial statements as of and for the nine-month periods ended September 30, 2010 and 2009 and our audited consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 and their related notes included elsewhere in these Listing Particulars, as well as with the sections "Presentation of Financial Information" and "Summary Financial Information".

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those discussed in these estimates and forward-looking statements as a result of various factors, including, but not limited to, those indicated in the section "Risk Factors".

Principal Factors Affecting Our Financial Condition and Results of Operations

Global Financial Crisis

Over the past two years, and in particular since mid-2008, the global banking industry has been severely impacted by the global financial crisis, which has contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. The effects of the global financial crisis in Brazil in 2008 and 2009 have been relatively moderate compared to the effects in the United States and Europe. While liquidity in the Brazilian banking industry was to some extent affected by the global financial crisis, the Central Bank enacted various measures, particularly in the fourth quarter of 2008, to ensure the availability of sufficient liquidity in the Brazilian market. See "The Brazilian Financial System and Banking Regulation".

To date, the primary effects of the global financial crisis on the Brazilian banking system have been an increase in loan delinquency rates, which affected most banks, and reduced liquidity, which affected mainly a number of smaller and mid-sized banks.

In common with various other Brazilian financial institutions, we suffered an increase in loan delinquency rates as a result of the crisis. As a consequence, we carefully reviewed our credit policies, portfolio and provisioning, and took steps to reduce our credit exposure, particularly in relation to vehicle financing. Through the course of 2009 and 2010, as the global financial crisis stabilised and abated, we gradually began to increase our loan portfolio, particularly in the middle market and payroll lending sectors.

Also in common with various other Brazilian financial institutions, we suffered a reduction in time deposits and liquidity in the immediate aftermath of the crisis. As a consequence, we accessed interbank funding, took steps to reduce our credit exposure, slowed our growth plans, implemented cost cutting measures and sought to access alternative funds, most notably through the issue of R$410 million of Pioneer CDBs to the Pioneer Investors in March 2009. Through the course of 2009, our time deposit base was re-established and has since surpassed pre-crisis levels. See "—Liquidity and Capital Resources—Sources of Funding—Time deposits".

Brazilian Macroeconomic Conditions

As a bank in Brazil, our financial condition and results of operations are significantly affected by Brazilian macroeconomic, political and social conditions as well as the economic performance of other emerging markets.

During 2007, the *real* appreciated 17.3% against the U.S. dollar. The SELIC rate was 11.18% as of December 31, 2007. Average unemployment in the principal metropolitan areas of Brazil decreased from

10.0% on December 31, 2006 to 9.3% on December 31, 2007, according to the IBGE. In 2007, the inflation rate, as measured by the IPCA, was 4.5%.

During 2008, the *real* depreciated 32.2% against the U.S. dollar. The SELIC rate was 13.66% as of December 31, 2008. Average unemployment in the principal metropolitan areas of Brazil decreased from 9.3% on December 31, 2007 to 7.9% on December 31, 2008, according to the IBGE. In 2008, the inflation rate, as measured by the IPCA, was 5.9%.

During 2009, the *real* appreciated 25.6% against the U.S. dollar. The SELIC rate was 8.66% as of December 31, 2009. Average unemployment in the principal metropolitan areas of Brazil increased from 7.9% on December 31, 2008 to 8.4% on December 31, 2009, according to the IBGE. In 2009, the inflation rate, as measured by the IPCA, was 4.3%.

During the nine-month period ended September 30, 2010, the *real* appreciated 2.9% against the U.S. dollar. As of September 30, 2010 the SELIC rate was 10.66% and average unemployment in the principal metropolitan areas of Brazil decreased from 8.4% on December 31, 2009 to 6.2% on September 30, 2010, according to the IBGE. In the nine-month period ended September 30, 2010, the inflation rate, as measured by the IPCA, was 3.6%.

The following table shows GDP growth, U.S. dollar exchange rates, inflation and interest rates in Brazil for the periods presented.

	At and for the nine-month period ended September 30,	
	2009	**2010**
GDP growth	3.0 %	ND(2) %
Inflation (IGP-M)(3)	(1.71)%	7.9 %
Inflation (IPCA)(4)	4.3 %	3.6 %
CDI(5)	12.7 %	7.6 %
TJLP(6)	6.0 %	6.0 %
Appreciation (depreciation) of the *real* against the U.S. dollar	23.9 %	(2.9) %
Exchange rate at closing (R$ to U.S.$1.00)	R$1.78	R$1.69
Average exchange rate (R$ to U.S.$1.00(7))	R$2.08	R$1.79

	At and for the year ended December 31,		
	2007(1)	**2008(1)**	**2009**
GDP growth	6.08 %	5.14 %	(0.20) %
Inflation (IGP-M)(3)	7.75 %	9.81 %	(1.71) %
Inflation (IPCA)(4)	4.46 %	5.90 %	4.31 %
CDI(5)	11.86 %	12.36 %	9.75 %
TJLP(6)	6.25 %	6.25 %	6.00 %
Appreciation (depreciation) of the *real* against the U.S. dollar	17.3 %	(32.2) %	25.6 %
Exchange rate at closing (R$ to U.S.$1.00)	R$1.77	R$2.34	R$1.74
Average exchange rate (R$ to U.S.$1.00(7))	R$1.95	R$1.84	R$1.99

Notes:

(1) GDP rates stated for these periods have been adjusted to reflect IBGE's new methodology.

(2) Not available.

(3) IGP-M is the general market price index as measured by FGV.

(4) IPCA is a consumer price index calculated by the IBGE.

(5) CDI is the average interbank deposit certificate index applicable in Brazil (accumulated at the end of each month and annually).

(6) TJLP represents the interest rates applied by the BNDES for long-term financing (end of period).

(7) Average of exchange rate for each day of each month during the period.

Sources: BNDES, Central Bank, IBGE and FGV.

GDP Growth

Growth in Brazil's GDP may impact our results of operations, since such growth generally affects the overall volume of credit transactions in the country, including of our middle-market and individual clients. For the years ended in 2007 and 2008, Brazil's GDP grew 6.1% and 5.1%, respectively, and retracted by 0.2% in 2009.

Effects of Fluctuation of Interest Rates on Our Financial Condition and Results of Operations

Generally, an increase in interest rates results in an increase in our income from lending operations due to higher rates that we are able to charge. However, such an increase can adversely affect our results of operations as a result of reduced overall demand for loans and greater risk of default by our clients. In addition, increased interest rates affect our funding costs, particularly time deposits and interbank deposits, and can adversely affect our profitability if we are unable to pass on our increased funding costs to our clients. However, a decrease in interest rates can reduce our income from lending operations as a result of lower rates on our loans. This reduction of income may eventually be offset by an increase in the volume of loans we make resulting from increased demand for loans and/or a decrease in our funding costs.

In addition, changes in interest rates can affect the value of our securities portfolio and therefore our financial condition and results of operations. However, the effect of these fluctuations may be limited by our use of derivative hedging instruments. See "—Information on Market Risks—Risk and Risk Management".

Inflation

Our net income may be adversely affected by higher inflation rates in Brazil, which generally increase our operating costs. In addition, higher inflation generally causes an increase in interest rates by the Central Bank to control inflation. See "—Effects of Fluctuation of Interest Rates on Our Financial Condition and Results of Operations". Inflation can also contribute to an increase in market volatility by causing economic uncertainty and reducing overall consumption levels, GDP growth and consumer confidence.

Governmental Regulation

Compulsory Deposit Requirements

The Central Bank imposes compulsory deposit requirements on financial institutions to control liquidity within the Brazilian financial system. Whenever the Central Bank modifies these requirements, the balance of our interest-bearing assets and liabilities is affected, which will, in turn, affect our interest revenues and expenses.

The compulsory deposit percentages apply to the total volume of our deposits, and the compulsory amounts must be deposited with the Central Bank. The principal compulsory deposit requirements are as follows:

- 42% of average daily demand deposits, minus R$44.0 million, for each assessment period (which begins on a Monday and ends on the Friday of the following week); and

- 15% of time deposits that exceed R$2 billion.

As of September 30, 2010, the balance of our compulsory deposits with the Central Bank was R$2.9 million, compared to R$2.2 million as of September 30, 2009. As of December 31, 2009, the balance of our compulsory deposits with the Central Bank were R$2.0 million, compared to R$3.0 million as of December 31, 2008 and R$67.4 million as of December 31, 2007. The decrease was due to a change in Central Bank regulations as of December 19, 2008 which was intended to improve liquidity in the Brazilian financial system by reducing the level of compulsory deposits that financial institutions are required to maintain with the Central Bank. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—Changes in Regulations Regarding Compulsory Deposits may Adversely Affect Us".

Capital Requirements

As a general rule, the Central Bank requires that banks comply with regulations similar to those of the Basel II Accord regarding sufficiency or adequacy of capital, with limited exceptions. For example, the Central Bank has put in place a more stringent minimum Basel index of 11%, instead of the 8% required by the Basel II Accord, which is used for the calculation of the minimum capital we are required to maintain. As of September 30, 2010, our Basel index was 21.2%. As of December 31, 2009, our Basel index was 28.6%, compared to 28.2% and 35.8% as of December 31, 2008 and 2007, respectively. The Central Bank also sets capital requirements regarding foreign currency exposure, interest-rate market risks and swap transaction risks, which are part of our required capital pursuant to the Basel II Accord rules. In addition, the Central Bank imposes restrictions on banks' exposure to foreign currency. The exposure of Brazilian financial institutions in gold and in assets and liabilities indexed to foreign exchange rates cannot be greater than 30% of their reference shareholders' equity. For more information on how the reference shareholders' equity is calculated, see "The Brazilian Financial System and Banking Regulation—Regulation by the Central Bank—Capital Adequacy and Leverage".

In June 2004, the banking supervision committee of the Bank for International Settlements endorsed the publication of the International Convergence of Capital Measurement and Capital Standards: A Revised Framework, known as the Basel II Accord. As of December 9, 2004, the Central Bank, through bulletin no. 12,746, expressed its intention to adopt the Basel II Accord in Brazil. The bulletin indicated that the Central Bank plans to adopt the Basel II Accord gradually, seeking to incorporate the changes applicable to the Brazilian banking sector.

According to CMN Resolution No. 2,099, dated August 17, 1994, the Central Bank requires banks to maintain a level of reference shareholders' equity that is compatible with the amount of their risk-weighted assets.

Central Bank bulletin no. 16,137, dated September 27, 2007, established guidelines, procedures and the implementation timetable for the Basel II Accord, stipulating criteria for the allocation of regulatory capital based on the risks incurred by financial institutions. On August 29, 2007, the Central Bank issued Resolution No. 3,490 establishing new criteria for computing the Tier 1 capital requirement (mainly stockholders' equity). These new rules came into force on July 1, 2008.

On June 28, 2010, the Central Bank issued Circular No. 3,498, establishing new rules for calculation of the daily amount of minimum capital maintained by financial institutions to avoid market risks. The new calculation rules will result in an increase in the financial institution's capital requirements.

Further, Circular No. 3,498 established a timeline for the implementation of such changes, providing for a gradual increase in the minimum capital requirements as of January 2012. Pursuant to the notice published by the Central Bank jointly with Circular No. 3,498, the new rules are intended to enhance the Brazilian Financial System in a manner that reflects international regulatory standards agreed by the G-20 and that stimulates developments in market risk management of financial institutions.

On December 16, 2010, the Basel Committee on Banking Supervision (the "Basel Committee") issued its new Basel III framework. The Basel III framework includes higher minimum capital requirements and new conservation and countercyclical buffers, revised risk-based capital measures, and the introduction of a new leverage ratio and two liquidity standards. The new rules will be phased in gradually and, as with other Basel directives, these will not be self-effectuating. Rather, each country must adopt them by legislation or regulation to be imposed upon that country's home banks. As of the date of these Listing Particulars, the Central Bank of Brazil has not published a timeline for its deliberation and eventual adoption of the Basel Committee directives.

The following table presents the calculation of our capital requirements and our regulatory capital level, on the dates presented.

	As of September 30,	
	2009	**2010**
	(R$ millions, except percentages)	
Adjusted shareholders' equity[1]	1,646.3	1,735.6
Write-down of revaluation reserves	(1.6)	(1.5)
Write-down of valuation adjustments to available-for-sale securities	(1.1)	(4.0)
Tier I regulatory capital	**1,643.7**	**1,730.1**
Addition of revaluation reserves	1.6	1.5
Addition of valuation adjustments to available-for-sale securities	1.1	4.0
Tier II regulatory capital	**2.7**	**5.5**
Risk-weighted regulatory capital	**1,646.3**	**1,735.6**
Capital allocation by risk level		
Credit risk	406.4	631.4
Market risk	138.7	163.8
Operational risk	72.4	106.2
Required regulatory capital[2]	**617.5**	**901.3**
Basel index[3]	29.3%	21.2%

	As of December 31,		
	2007	**2008**	**2009**
	(R$ millions, except percentages)		
Adjusted shareholders' equity[1]	1,517.5	1,607.2	1,692.7
Write-down of revaluation reserves	–	(2.0)	(1.6)
Write-down of valuation adjustments to available-for-sale securities	–	(4.9)	(0.5)
Tier I regulatory capital	**1,517.5**	**1,600.3**	**1,690.7**
Addition of revaluation reserves	–	2.0	1.6
Addition of valuation adjustments to available-for-sale securities	–	4.9	0.5
Tier II regulatory capital	**–**	**6.9**	**2.0**
Risk-weighted regulatory capital	**1,517.5**	**1,607.2**	**1,692.7**
Capital allocation by risk level			
Credit risk	409.7	428.6	434.8
Market risk	56.1	186.1	143.1

	As of December 31,		
	2007	2008	2009
	(R$ millions, except percentages)		
Operational risk	–	12.8	72.4
Required regulatory capital[2]	**465.8**	**627.5**	**650.3**
Basel index[3]	35.8%	28.2%	28.6%

Notes:

(1) At the dates indicated, our adjusted shareholders' equity was equal to our shareholders' equity.

(2) Required regulatory capital is defined by the Central Bank and it establishes the minimum level of adjusted shareholders' equity based upon our risk-weighted assets.

(3) Basel index corresponds to 11% of our adjusted shareholders' equity divided by the minimum amount of capital we are required to maintain pursuant to the regulations of the Central Bank.

Regulation of Payroll Deduction Loans

The Brazilian Government and the Ministry of Welfare and Social Security (*Ministério da Previdência e Assistência Social*) oversee credit activities offered to pension beneficiaries and retirees of the INSS who receive benefits from the INSS. Currently, we are not permitted to charge an origination fee (*Taxa de Abertura de Crédito*) for payroll deduction loans to individuals who receive INSS benefits. Furthermore, the INSS may review its policy related to loan deductions from payrolls and may issue new regulations imposing limitations and/or modifications in the terms and conditions on which payroll deduction loans can be offered to pension beneficiaries and retirees of the INSS. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—Payroll deduction loans are subject to changes in applicable laws and regulations and to the interpretation of such laws and regulations by Brazilian courts, as well as to changes in policies by public entities".

Loan Losses

An increase in the volume of our loans in default can result in reduced revenue from our lending operations, which requires us to make additional provision for loan losses or to use such allowance to write-off loans, and adversely affect our financial condition and results of operations. We comply with Central Bank regulations regarding the write-off of overdue loans, which generally require that they be written off as a loss 360 days after they mature or otherwise become due. Our provisions increased significantly in 2008 and 2009, principally as a result of the increased loan default rates, mainly on our vehicle financing and middle market loan portfolios. The increase in 2009 also reflects our conservative provisioning policy implemented in 2009 to anticipate possible problems our clients may have faced and difficulties we may have encountered in the realisation of security. With a significant decrease in credits in arrears in the nine-month period ended September 30, 2010, the amount of provisions charged during this period decreased significantly compared to the same period in 2009 and, as of September 30, 2010, our closing balance provisions decreased accordingly. For further discussion of our provisions for loan losses, see "—Comparison of Results for the Nine-Month Period Ended September 30, 2009 Compared to the Nine-Month Period Ended September 30, 2010—Provision for loan losses" "—Comparison of Results for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2009—Provision for loan losses", "—Comparison of Results for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2009—Provision for loan losses" and "—Comparison of Results for the Year Ended December 31, 2007 Compared to the Year Ended December 31, 2008—Provision for loan losses".

Changes in Tax Regulation

Our results of operations are affected by changes to the tax regulations and regimes applicable to us and our clients. These changes include changes in tax rates and tax assessment criteria and the imposition of temporary taxes, the proceeds of which are generally earmarked for specific governmental purposes. See "The Brazilian Financial System and Banking Regulation—Taxation in Brazil—Taxation of Corporations" for changes in the rate of the Social Contribution on Net Profits (*Contribuição Social sobre o Lucro Líquido*) ("CSLL") affecting us.

Volatility of the Real Against the U.S. Dollar

The depreciation or appreciation of the *real* may adversely affect our financial condition and results of operations to the extent we have operations denominated in or indexed to foreign currency, primarily the U.S. dollar. Our exposure to foreign exchange rate fluctuations is reduced through the use of derivative instruments or through our policy of avoiding mismatches between our funding denominated in foreign currency (particularly the U.S. dollar) and foreign-linked investments, which serve as a natural hedge.

When the *real* depreciates, we generally suffer losses from our liabilities denominated in or indexed to foreign currencies, such as our short-term and long-term indebtedness denominated in U.S. dollars and other cross-border sources of funds, because we incur an expense on the revaluation of such liabilities in *reais* and our cost in *reais* to service this indebtedness increases. However, we also have gains derived from our assets denominated in or indexed to foreign currencies since the principal and interest income on these assets, when calculated in *reais*, increase as the *real* depreciates.

Conversely, when the *real* appreciates, we generally obtain gains from our liabilities denominated in or indexed to foreign currencies on the revaluation of such liabilities in *reais* and our cost in *reais* of servicing these debts decreases. However, we also incur losses from our assets denominated in or indexed to foreign currencies because the principal and interest income on these assets, when calculated in *reais*, decrease.

In addition to impacting the value of our assets and liabilities indexed to or denominated in foreign currency, fluctuations of the *real* against other foreign currencies can, among other factors, increase or decrease demand by our clients for loans indexed to foreign currency and the percentage of non-recoverable loans.

Critical Accounting Policies

The following is a description of the principal accounting policies that currently affect our financial condition and results of operation and that require us to make judgments, estimates and assumptions affecting the reported amount of our assets and the liabilities and results of operations. Our financial statements include, for example, several estimates and assumptions related to our provision for loan losses and the market value of securities and derivatives which we acquire or trade, among others. The adoption of these estimates and assumptions requires us to make judgments related to effects of matters that are inherently uncertain. A change in these estimates and assumptions may adversely affect our financial condition and results of operations. Note 3 to our consolidated financial statements as of and for the years ended December 31, 2008 and 2009 included in these Listing Particulars contains the critical accounting policies and methods used in the preparation of our financial statements.

On December 28, 2007, Law No. 11,638 was enacted altering, revoking and adding new provisions to the Brazilian Corporation Law, especially with respect to chapter XV, Fiscal Year and Financial Statements. Law No. 11,638 was designed primarily to update accounting practices as contemplated in Brazilian Corporation Law, so as to enable the convergence of Brazilian accounting practices with international accounting standards, and contemplates broad changes to accounting practices generally accepted in Brazil as they relate to statutory accounting practices and procedures. Law No. 11,638 also allows the CVM, the Central

Bank and the CPC to issue new accounting standards and procedures, applicable to public companies in Brazil, in conformity with such international accounting standards.

During 2008 and 2009, the CPC issued standards relating to the convergence of Brazilian GAAP with IFRS. Although such standards have been approved by the CVM, not all have been ratified by the Central Bank. Accordingly, in the preparation of our consolidated financial statements, we have adopted only those pronouncements which have already been ratified by the Central Bank.

The effects of the first-time adoption of the changes introduced by Law No. 11,638 and Provisional Act 449/08 (enacted by Law No. 11,941 of May 27, 2009) did not require significant adjustments to our individual and consolidated financial statements for the year ended December 31, 2008 or for the year ended December 31, 2009.

Provision for Contingencies

We are currently party to tax, labour and civil proceedings arising from the normal course of our business. We classify as "probable", "possible" and "remote" the risk that such contingencies arising from these lawsuits will materialise into actual losses for us. We generally record provisions for these contingencies on our books when we classify the loss related to these claims as probable, except for fiscal contingencies, which are fully provisioned regardless of their risks. We do not constitute provisions for contingencies whose risk we consider possible or remote. We base our classifications of the probability of losses on those risks on the opinion of our external and internal legal counsel, taking into consideration the analysis of the possible outcomes of the claims and the strategies for challenging or entering into agreements in relation to such claims. Any change in the circumstances taken into account in the process of classification of our risk of loss in the lawsuits to which we are party may lead us to revise our provision for contingencies.

Loans and Provision for Loan Losses

Our loans are classified by our officers according to their risks, which are determined based on the type and amount of the loan and the collateral received, the borrower's credit history, the spread to be charged and other specific and global risks of our loan portfolio. This classification is based on the requirements of CMN Resolution No. 2,682, dated December 21, 1999, which requires us to periodically analyze our loan portfolio and classify our loans within nine levels, from "AA" (minimum risk) to "H" (maximum risk—loss).

The table below sets forth the rating of our loans by risk levels and the balance of our provision for loan losses at the date presented:

	As of September 30, 2010			
			Provision for loan losses	
Risk Level	**Credits**	**% of Total**	**Minimum required by Central Bank**	**Effective**
	(R$ millions, except as otherwise indicated)			
AA	172.5	3.3	-	-
A.	2,493.0	48.1	12.5	12.5
B	2,119.3	40.9	21.2	21.2
C	163.1	3.1	4.9	4.9
D	75.4	1.5	7.5	7.5
E	25.6	0.5	7.7	7.7
F	17.9	0.3	9.0	9.0
G	39.3	0.8	27.5	27.5

	As of September 30, 2010			
			Provision for loan losses	
Risk Level	Credits	% of Total	Minimum required by Central Bank	Effective
H	79.9	1.5	79.9	79.9
Total	**5,186.0**	**100.0**	**170.1**	**170.1**

	As of December 31, 2009			
			Provision for loan losses	
Risk Level	Credits	% of Total	Minimum required by Central Bank	Effective
	(R$ millions, except as otherwise indicated)			
AA	244.5	6.4	-	-
A.	1,600.6	42.0	8.0	8.0
B	1,540.9	40.4	15.4	15.4
C	137.1	3.6	4.1	4.1
D	57.8	1.5	5.8	5.8
E	39.6	1.0	11.9	11.9
F	38.0	1.0	18.9	18.9
G	24.5	0.6	17.2	17.2
H	131.9	3.5	131.9	131.9
Total	**3,814.9**	**100.0**	**213.2**	**213.2**

Any loans classified as level "H" (which requires a provision for loan losses equal to the full amount of the loan) must be written off after being so classified for a period of six months. The write-off is taken against the existing provision for loan losses, is recorded for up to five years in a memorandum account and is no longer included in our balance sheet. Any eventual revenue from loans allocated to the memorandum account is recognised only upon receipt. See "The Brazilian Financial System and Banking Regulation—Regulation by the Central Bank—Treatment of Overdue Debts".

Market Value of Financial Instruments

In accordance with Brazilian GAAP and specific rules of the Central Bank, we record some of our assets, such as securities and derivatives, at market value.

Market value is defined as the value at which a position could be closed or sold in the market. The market value of the majority of securities we hold is determined on the basis of the value of transactions conducted on a particular day or on the business day before the date in which the transaction closes. When information regarding such transactions is not available, we determine market value on the basis of various sources. For government securities, the market value is based on the information compiled by ANBIMA. The market value of securities issued abroad is based on their daily average trading price. Finally, the market value of securities in investment funds is based on the price quoted by the fund manager.

To manage our interest rate and foreign exchange rate risk exposure, we enter into option, swap and other derivative contracts. The market value of these derivatives is based on the trading price of these instruments on the exchanges on which they are traded, especially on the BM&FBOVESPA.

Securities

In accordance with Central Bank Circular no. 3,068 of November 8, 2001, we record securities in our portfolio as follows:

- *Trading Securities*. We record the securities we acquire for trading on our balance sheet at their acquisition cost and add any adjustments resulting from mark-to-market accounting and earnings derived from such securities. These adjustments and earnings are also recognised as revenues or expenses, as the case may be, in our income statement.

- *Securities held to maturity*. We record the securities that we intend and have the financial capacity to hold through maturity on our balance sheet at their acquisition cost and add any earnings derived from such securities. These earnings are also recognised as revenues in our income statement. We do not make mark-to-market adjustments in connection with these securities.

- *Securities available for sale*. We record any securities not classified as securities for trading nor held to maturity on our balance sheet at their acquisition cost and mark them to market. We recognise the earnings from such securities as assets on our balance sheet and as revenue in our income statement. The mark-to-market adjustments are recorded net of income and social contribution taxes in a separate account of our shareholders' equity.

Derivatives

In accordance with Central Bank Circular No. 3,082, dated January 30, 2002, we record options, future contracts and swaps as follows:

- *Options*. A premium received is classified as a liability until the option maturity, when it is then recognised as a reduction of the cost of the acquired financial instrument underlying the option or as income, in the event of non-exercise. A premium paid is classified as an asset until the option maturity, when it is then recognised as an increase in the cost of the acquired financial instrument underlying the option or as expense, in the event of non-exercise.

- *Future contracts*. The amount recorded on our balance sheet for our future contracts is adjusted on a daily basis at market value and the corresponding revenue or expense is recorded in our income statement.

- *Swaps*. The differential receivable or payable are recorded on our balance sheet and the corresponding revenue or expense, respectively, is recorded in our income statement on a pro rata basis.

- *Currency swaps*. The gains or losses on our currency swap agreements are recorded on our balance sheet and the corresponding revenue or expense, respectively, is recorded on our income statement.

Our derivative financial operations consist mainly of future market index contracts, future DI contracts and future foreign exchange contracts traded on the BM&FBOVESPA.

Other Accounting Policies

Consolidation of the financial statements

In the preparation of our consolidated financial statements, intercompany balances and transactions with our direct and indirect subsidiaries and with Daycoval Veículos FIDC and Daycoval FIDC have been excluded. We also adjust the financial statements of our indirect foreign subsidiary to Brazilian GAAP and translate any amounts indicated therein into *reais*.

The financial information related to Daycoval Veículos FIDC and Daycoval FIDC has been consolidated into our financial statements. As part of this consolidation, we record the balance of our receivables portfolio previously transferred to Daycoval Veículos FIDC and Daycoval FIDC as "lending operations" and exclude the amounts represented by our subordinated quotas in Daycoval Veículos FIDC and Daycoval FIDC from our balance sheet. We also recognise that receivables portfolio, net of the amounts represented by Daycoval Veículos FIDC's and Daycoval FIDC's subordinated quotas, as "borrowings and onlendings—domestic borrowings". In our income statements, we record any income from Daycoval Veículos FIDC and Daycoval FIDC, as well as any increase in the market value of our subordinated quotas (which are recognised in our individual financial statements as income under "securities transactions"), as "lending operations". Any amounts due to senior quotaholders of Daycoval Veículos FIDC and Daycoval FIDC are recorded as costs under "funding operations". For further information on Daycoval Veículos FIDC and Daycoval FIDC, please see "Liquidity and Capital Resources—Sources of Funding—Borrowings and Onlendings".

The financial information related to Daycoval Classic has also been consolidated into our financial statements. As part of this consolidation, the proportion of the securities portfolio of Daycoval Classic that corresponds to our portion of fund shares was incorporated into our securities portfolio and our investment in fund shares was eliminated. Income from Daycoval Classic shares is recorded on our financial statements as "securities transactions".

Recognition of Results of Operations

Our results of operations are recognised on the accrual basis.

Pre-paid Expenses

We recognise commissions paid to our banking correspondents as prepaid expenses on our balance sheet. This methodology enables us to maintain a high degree of control over the payments made in connection with these commissions. The corresponding expense for a commission payment is recognised over the life of the loan for which the commission was paid, concurrently and in proportion to the recognition of income from the corresponding loan payments. Commission payments are recorded as other administrative expenses on our income statements.

Impairment

The impairment of non-financial assets is recognised when the carrying amount of an asset or a cash generating unit is higher than its recoverable or realisable value. A cash generating unit is the smallest identifiable group of assets which generates cash flows substantially independent from other assets and groups of assets. Impairment losses are recorded in the statement of income for the period when they are recognised, when applicable. As of September 30, 2009 and as of December 31, 2009, no events indicate that non-financial assets may be impaired.

From the year ended December 31, 2008, the amounts of non-monetary items, except those recorded under the captions "Other assets" and "Other receivables – tax credits", are periodically tested, at least annually, for impairment.

Deferred Income and Social Contribution Taxes

Our income tax and social contribution are recorded under current or deferred liabilities.

Current income tax and social contribution are calculated based on our taxable income at the rates of 25% (15% plus an additional 10% for taxable income in excess of R$240,000 per year or R$60,000 per quarter) and 15% (compared to 9% until May 2008), respectively. Brazilian tax legislation allows us to offset tax losses from prior periods against the taxable income of the current period, with no time limitation, but only up to 30% of the taxable income of each fiscal year.

Deferred income tax and social contribution include the effects from the recognition of "temporary differences", which are composed mainly of provisions usually related to contingencies and provision for credit losses which are not deductible in the calculation of taxable income when recorded, but only at a later point in time when their financial realisation occurs. When calculating our income tax, we recognise all recorded provisions as temporary differences.

Main Sources of Revenues and Expenses

Our principal sources of revenues and expenses are:

- *Income from financial intermediation*. Consists of income from lending operations, securities transactions, derivatives and foreign exchange operations.

- *Expenses from financial intermediation*. Consists of expenses from funding operations (through time deposits, interbank deposits and money market funding), borrowings and onlendings, and our provision for loan losses.

- *Other operating income (expenses)*. Consists primarily of (i) income from services provided, particularly fees charged in connection with new loans and opening of new accounts; (ii) personnel expenses; (iii) other administrative expenses; (iv) tax expenses; and (ii) other operating income and other operating expenses, including exchange rate variations on our debt issued in the international markets and monetary adjustments of contingencies.

Comparison of Results of Operations for the Nine-Month Period Ended September 30, 2009 Compared to the Nine-Month Period Ended September 30, 2010

The following table shows certain items derived from our income statements for the nine-month periods indicated:

Statement of Income Data

	For the nine-month period ended September 30,				
	2009	% of total income from financial intermediation	2010	% of total income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Income from financial intermediation	550.9	100.0 %	916.2	100.0 %	66.3 %
Expenses from financial intermediation	(528.4)	(95.9) %	(520.4)	(56.8) %	(1.5) %
Gross profit from financial intermediation	22.5	4.1 %	395.8	43.2 %	1,659.1 %
Other operating (expenses) income	148.8	27.0 %	(89.9)	(9.8) %	n.a. %
Income from operations	**171.3**	**31.1 %**	**305.9**	**33.4 %**	**78.6 %**
Non-operating income	(11.8)	(2.2) %	(8.0)	(0.9) %	(32.2) %
Income before income and social contribution taxes and profit sharing	**159.4**	**28.9 %**	**297.9**	**32.5 %**	**86.9 %**
Income and social contribution taxes	(90.6)	(16.4) %	(74.6)	(8.1) %	(17.7) %
Deferred taxes	68.1	12.4 %	0.2	n.a. %	(99.7) %
Profit sharing	(8.3)	(1.5) %	(19.7)	(2.2) %	(137.3) %
Net income	**128.6**	**23.4 %**	**203.8**	**22.2 %**	**58.5 %**

Income from financial intermediation

Our income from financial intermediation increased 66.3%, from R$550.9 million in the nine-month period ended September 30, 2009 to R$916.2 million in the nine-month period ended September 30, 2010. The table below shows the composition of our income from financial intermediation for the nine-month periods indicated.

Income from financial intermediation

	For the nine-month period ended September 30,				
	2009	% of total	2010	% of total	Variation (%)
	(R$ millions, except percentages)				
Lending operations	579.8	105.2 %	686.5	74.9 %	18.4 %
Securities transactions	205.2	37.2 %	232.5	25.4 %	13.3 %
Derivatives	(234.1)	(42.5)%	(17.5)	(1.9)%	(92.5) %
Foreign exchange operations	–	n.a. %	14.6	1.6 %	n.a. %
Total	**550.9**	**100.0 %**	**916.2**	**100.0 %**	**66.3 %**

Lending operations

The table below contains the composition of our income from lending operations for the nine-month periods indicated.

Lending Operations

	For the nine-month period ended September 30,				
	2009	% of total	2010	% of total	Variation (%)
	(R$ millions, except percentages)				
Loans	427.3	73.7%	539.2	78.5%	26.2%
Discounted trade notes[1]	41.4	7.1%	46.3	6.7%	11.8%
Financing[2]	111.1	19.2%	101.0	14.8%	(9.1)%
Total	**579.8**	**100.0%**	**686.5**	**100.0%**	**18.4%**

Notes:

(1) Represents income from financial instruments acquired from our clients at a discount for collection.

(2) Represents income from our direct consumer credits.

Our income from lending operations increased 18.4%, from R$579.8 million in the nine-month period ended September 30, 2009 to R$686.5 million in the nine-month period ended September 30, 2010. This increase was due to a 27.5% increase in the average balance of our outstanding loans, from R$3,279.3 million in the nine-month period ended September 30, 2009 to R$4,182.0 million in the nine-month period ended September 30, 2010, which was partially offset by a decrease in average interest rates payable on our portfolio from 17.7% in the nine-month period ended September 30, 2009 to 16.4% in the nine-month period ended September 30, 2010 as a result of the lower average interest rates prevailing in Brazil in the nine-month period ended September 30, 2010 compared to the nine-month period ended September 30, 2009. The increase in the average balance of our outstanding loans was principally due to an increase of R$686.4 million in the average balance of loans to middle-market clients and an increase of R$350.9 million in the aggregate average balance of our payroll deduction loans and direct consumer credits, which increases were partially offset by a decrease of R$172.4 million in the average balance of vehicle financing. The increase in the average balance of our outstanding loans reflects our strategic decision to increase our credit exposure following the improvement in global and domestic economic conditions during late 2009 and 2010. The decrease in our vehicle financing reflects our strategy to reduce the size of this portfolio during 2009 and the nine-month period ended September 30, 2010 following an increase in non-performing vehicle loans commencing in the fourth quarter of 2008.

Securities transactions

Our income from securities transactions increased 13.3%, from R$205.2 million in the nine-month period ended September 30, 2009 to R$232.5 in the nine-month period ended September 30, 2010 mainly due to an increase in the average volume of our securities portfolio from R$773.2 million in the nine-month period ended September 30, 2009 to R$934.1 million in the nine-month period ended September 30, 2010. Our securities portfolio is mainly composed of securities linked to the SELIC rate.

Derivatives

Our expenses from derivatives decreased 92.5% from R$234.1 million in the nine-month period ended September 30, 2009 to R$17.5 million in the nine-month period ended September 30, 2010, mainly due to variations in our net results (i) on futures transactions, from a net expense of R$81.0 million in nine-month period ended September 30, 2009 to net gain of R$1.6 million in the nine-month period ended September 30, 2010 and (ii) on swap transactions, from a net expense of R$168.7 million in the nine-month period ended September 30, 2009 to net expense of R$19.1 million in the nine-month period ended September 30, 2010. The results of derivative financial instruments reflect the effects of interest rate and foreign exchange rate volatilities, and these results offset the effects of such volatilities on our core banking operations. The principal line items affected by such volatilities are expenses from borrowings and onlendings and expenses from funds from acceptance and issuance of securities (included in expenses from funding operations).

Foreign exchange operations

Our income of R$14.6 million, net of expenses of R$0.5 million, from foreign exchange operations, totalled R$14.1 million in the nine-month period ended September 30, 2010, compared to an expense of R$7.7 million in the nine-month period ended September 30, 2009, mainly due to (i) the increase of 9.8% in the average balance of our foreign trade transactions (as measured by the net average balance of positive and negative foreign exchange operations), from R$101.8 million in the nine-month period ended September 30, 2009 to R$111.8 million in the nine-month period ended September 30, 2010, (ii) the relative stability of the *real* against the U.S. dollar which appreciated by 2.9% in the nine-month period ended September 30, 2010, compared to an appreciation of 23.9% in the same period of 2009 and (iii) increased fees on our foreign exchange operations in the nine-month period ended September 30, 2010 compared to the nine-month period ended September 30, 2009. Our income from foreign exchange, net of expenses from foreign exchange of R$0.5 million (see "—Expenses from financial intermediation" below), was R$14.1 million in the nine-month period ended September 30, 2010.

Expenses from financial intermediation

Our expenses from financial intermediation decreased 1.5% from R$528.4 million in the nine-month period ended September 30, 2009 to R$520.4 million in the nine-month period ended September 30, 2010. The table below provides the composition of our expenses from financial intermediation for the nine-month periods indicated:

Expenses from financial intermediation

	For the nine-month period ended September 30,				
	2009	% of income from financial intermediation	2010	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Funding operations	248.6	45.1%	349.3	38.1%	40.5%
Borrowings and onlendings	49.4	9.0%	51.2	5.6%	3.6%
Foreign exchange operations	7.7	1.4%	0.5	n.a.%	(93.5)%
Provision for loan losses	222.6	40.4%	119.4	13.0%	(46.4)%
Total	**528.4**	**95.9%**	**520.4**	**56.8%**	**(1.5)%**

Funding operations

The table below shows the composition of our expenses from funding operations for the nine-month periods indicated:

	For the nine-month period ended September 30,				
	2009	% of the total	2010	% of the total	Variation (%)
	(R$ millions, except percentages)				
Interbank deposits	26.7	10.8%	5.9	1.7%	(77.9)%
Time deposits	118.7	47.7%	174.7	50.0%	47.2%
Money-market funding	58.9	23.7%	89.3	25.6%	51.6%
Funds from acceptance and issuance of securities(1)	42.5	17.1%	76.5	21.9%	80.0%
Fund of credit guarantee	1.8	0.7%	2.9	0.8%	61.1%
Total	**248.6**	**100.0%**	**349.3**	**100.0%**	**40.5%**

Note:

(1) Expenses from the issuance of securities abroad do not include earnings from exchange rate variation applicable to these operations, which are recorded as other operating income.

Our expenses from funding operations increased 40.5%, from R$248.6 million in the nine-month period ended September 30, 2009 to R$349.3 million in the nine-month period ended September 30, 2010, mainly as a result of (i) a 56.1% increase in the average balance of time deposits, from R$1,527.2 million in the nine-month period ended September 30, 2009 to R$2,383.5 million in the nine-month period ended September 30, 2010, (ii) the issuance of notes abroad in March 2010 in the amount of U.S.$300 million and (iii) a 60.1% increase in the average balance of repurchase transactions, from R$788.3 million in the nine-month period ended September 30, 2009 to R$1,254.0 million in the nine-month period ended September 30, 2010. The increase in funding expenses was partially offset by the 2.9% appreciation of the *real* against the U.S. dollar in the nine-month period ended September 30, 2010 which had the effect of reducing the value in *reais* of payments on our notes issued abroad.

Borrowings and onlendings

Our expenses from borrowings and onlendings increased 3.6%, from R$49.4 million in the nine-month period ended September 30, 2009 to R$51.2 million in the nine-month period ended September 30, 2010, mainly due to the increase of 36.9% in the average balance of such operations, from R$776.5 million the nine-month period ended September 30, 2009 to R$1,062.8 million in the nine-month period ended September 30, 2010.

Provision for loan losses

Our provision for loan losses reflects both the aggregate value of our credit portfolio and the credit risk assigned to credits within the portfolio. Our closing balance provisions decreased 36.7%, from R$268.6 million as of September 30, 2009 to R$170.1 million as of September 30, 2010, despite the 48.5% increase in the aggregate balance of the credit portfolio from R$3,493.0 million as of September 30, 2009 to R$5,186.0 million as of September 30, 2010. This reflected our conservative provisioning policy implemented in 2009 to anticipate possible problems our clients may have faced and difficulties we may have encountered in the realisation of collateral as a result of worsening economic conditions following the onset of the global financial crisis. Such policy resulted in a significant increase in provisions as of September 30, 2009. With a significant decrease in credits in arrears in the nine-month period ended September 30, 2010, the amount of provisions charged during such period decreased 46.4% to R$119.4 million compared to R$222.6 million in the nine-month period ended September 30, 2009, and our closing balance provisions decreased accordingly.

Our closing balance allowance for loan losses as a percentage of our credit operations was 3.3% as of September 30, 2010 compared to 7.7% as of September 30, 2009.

Gross profit from financial intermediation

As a result of the foregoing, our gross profit from financial intermediation increased 1,659.1% from R$22.5 million in the nine-month period ended September 30, 2009 to R$395.8 million in the nine-month period ended September 30, 2010.

Other operating income (expenses)

Our other operating income net of other operating expenses varied from an income of R$148.8 million in the nine-month period ended September 30, 2009 to an expense of R$89.9 million in the nine-month period ended September 30, 2010. The following table shows the composition of our other operating income (expenses) for the nine-month periods indicated:

Other operating income (expenses)

	For the nine-month period ended September 30,				
	2009	% of income from financial intermediation	2010	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Income from services provided	13.0	2.4%	24.3	2.7%	86.9%
Income from insurance operations	2.3	0.4%	2.3	0.3%	n.a.%
Personnel expenses	(46.2)	(8.4)%	(66.0)	(7.2)%	42.9%
Other administrative expenses	(82.6)	(15.0)%	(80.3)	(8.8)%	(2.8)%
Tax expenses	(27.2)	(4.9)%	(29.7)	(3.2)%	9.2%
Other operating income	332.9	60.4%	107.5	11.7%	(67.7)%
Other operating expenses	(43.5)	(7.9)%	(48.0)	(5.2)%	10.3%
Total	**148.8**	**27.0%**	**(89.9)**	**(9.8)%**	**n.a.%**

Income from services provided

Our income from services provided increased 86.9%, from R$13.0 million in the nine-month period ended September 30, 2009 to R$24.3 million in the nine-month period ended September 30, 2010, principally due to the increase in the average balance of our outstanding loans during the nine-month period ended September 30, 2010 compared to the nine-month period ended September 30, 2009, resulting in an increase in the fees earned in respect of such loans.

Personnel expenses

Our personnel expenses increased 42.9%, from R$46.2 million in the nine-month period ended September 30, 2009 to R$66.0 million in the nine-month period ended September 30, 2010. The increase reflects an increase in the number of our employees that occurred during the first nine months of 2010, as a result of our strategy to increase operations following the improvement in global and domestic economic conditions. Our total number of employees increased 32.1% from 576 on September 30, 2009 to 761 on September 30, 2010.

Other administrative expenses

Our other administrative expenses decreased 2.8%, from R$82.6 million in the nine-month period ended September 30, 2009 to R$80.3 million in the nine-month period ended September 30, 2010, mainly due to a decrease in the expenses relating to advisory fees and out-sourced services.

Tax expenses

Our tax expenses increased 9.2%, from R$27.2 million in the nine-month period ended September 30, 2009 to R$29.7 million in the nine-month period ended September 30, 2010, mainly due to the increase in our taxable income, and more specifically in contributions to federal taxes including the Programme for Social Integration (*Programa de Integração Social*) ("PIS") and the Contribution for the Financing of Social Security (*Contribuição para o Financiamento da Seguridade Social*) ("COFINS").

Other operating income

Our other operating income decreased 67.7%, from R$332.9 million in the nine-month period ended September 30, 2009 to R$107.5 million in the nine-month period ended September 30, 2010. This decrease was mainly due to the appreciation of 2.9% of the *real* against the U.S. dollar in nine-month period ended September 30, 2010 compared to appreciation of 23.9% in the nine-month period ended September 30, 2009. In the nine-month period ended September 30, 2009, we recorded exchange rate variation gains of R$322.0 million from our U.S. dollar denominated securities, borrowings, compared to R$86.5 million in the nine-month period ended September 30, 2010.

Other operating expenses

Our other operating expenses increased 10.3%, from R$43.5 million in the nine-month period ended September 30, 2009 to R$48.0 million in the nine-month period ended September 30, 2010. This increase was mainly due to an increase of R$3.4 million in provisions for legal proceedings in the nine-month period ended September 30, 2010.

Income from operations

As a result of the foregoing, our income from operations increased 78.6%, from R$171.3 million in the nine-month period ended September 30, 2009 to R$305.9 million in the nine-month period ended September 30, 2010.

Income and social contribution taxes

Our income and social contribution taxes decreased 17.7%, from R$90.6 million in the nine-month period ended September 30, 2009 to R$74.6 million in the nine-month period ended September 30, 2010, mainly due to the deduction in the nine-month period ended September 30, 2010 of temporary differences recognized as deferred taxes in the nine-month period ended September 30, 2009.

Deferred taxes

Our deferred taxes decreased 99.7% from R$68.1 million in the nine-month period ended September 30, 2009 to R$0.2 million in the nine-month period ended September 30, 2010 due to the reduction of temporary differences in the nine-month period ended September 30, 2010 previously recognised as deferred taxes in the nine-month period ended September 30, 2009.

Net income

As a result of the foregoing, our net income increased 58.5%, from R$128.6 million in the nine-month period ended September 30, 2009 to R$203.8 million in the nine-month period ended September 30, 2010.

Comparison of Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2009

The following table shows certain items derived from our income statements for the years presented:

Statement of Income Data

	For the year ended December 31,				
	2008	% of total income from financial intermediation	2009	% of total income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Income from financial intermediation	1,650.4	100.0 %	801.1	100.0 %	(51.5) %
Expenses from financial intermediation	(1,181.7)	(71.6) %	(624.7)	(78.0)%	(47.1) %
Gross profit from financial intermediation	**468.7**	**28.4 %**	**176.4**	**22.0 %**	**(62.4) %**
Other operating (expenses) income	(192.0)	(11.6) %	120.5	15.1 %	n.a. %
Income from operations	**276.7**	**16.8 %**	**296.9**	**37.1 %**	**7.3 %**
Non-operating income	(14.9)	(0.9) %	(12.9)	(1.6)%	(13.4) %
Income before income and social contribution taxes	**261.8**	**15.9 %**	**284.0**	**35.5 %**	**8.5 %**
Income and social contribution taxes	(99.5)	(6.0) %	(112.7)	(14.1)%	13.3 %
Deferred taxes	55.4	3.4 %	54.4	6.8 %	(1.8) %
Profit sharing	(17.5)	(1.1) %	(14.6)	(1.8)%	(16.6) %
Net income	**200.2**	**12.1 %**	**211.1**	**26.4 %**	**5.4 %**

Income from financial intermediation

Our income from financial intermediation decreased 51.5%, from R$1,650.4 million in 2008 to R$801.1 million in 2009. The table below shows the composition of our income from financial intermediation for the years indicated.

Income from financial intermediation

	For the year ended December 31,				
	2008	% of total	2009	% of total	Variation (%)
	(R$ millions, except percentages)				
Lending operations	1,073.8	65.1 %	790.9	98.7 %	(26.4)%
Securities transactions	267.2	16.2 %	263.2	32.9 %	(1.5)%
Derivatives	219.1	13.3 %	(252.9)	(31.6)%	n.a.%
Foreign exchange operations	82.8	5.0 %	-	n.a. %	n.a.%
Compulsory deposits	7.5	0.4 %	-	n.a. %	n.a.%
Total	**1,650.4**	**100.0 %**	**801.1**	**100.0 %**	**(51.5)%**

Lending operations

The table below contains the composition of our income from lending operations for the years indicated.

Lending Operations

	For the year ended December 31,				
	2008	% of total	2009	% of total	Variation (%)
	(R$ millions, except percentages)				
Loans	736.8	68.6%	560.5	70.9%	(23.9)%
Discounted trade notes[1]	84.9	7.9%	62.1	7.8%	(26.7)%
Financing[2]	231.3	21.5%	168.2	21.3%	(27.3)%
Advances on foreign exchange contracts	20.8	2.0%	-	-	n.a.%
Total	**1,073.8**	**100.0%**	**790.9**	**100.0%**	**(26.4)%**

Notes:

(1) Represents income from financial instruments acquired from our clients at a discount for collection.

(2) Represents income from our direct consumer credits.

Our income from lending operations decreased 26.4%, from R$1,073.8 million in 2008 to R$790.9 million in 2009. This decrease was due to a 16.2% decrease in the average balance of our outstanding loans, from R$4,122.8 million in 2008 to R$3,455.7 million in 2009 and a decrease in average interest rates payable on our portfolio from 27.1% in 2008 to 23.7% in 2009. The decrease in the average balance of our outstanding loans was principally due to: (i) a decrease of R$683.6 million in the average balance of loans to middle-market clients, and (ii) a decrease of R$66.7 million in the average balance of vehicle financing. Our aggregate average balance of our payroll deduction loans and direct consumer credits increased from R$734.0 million in 2008 to R$804.1 million in 2009. The reduction in loans to middle-market clients and in our vehicle financing reflects our strategic decision to reduce our credit exposure following the on-set of the global financial crisis in the fourth quarter of 2008.

Securities transactions

Our income from securities transactions decreased 1.5%, from R$267.2 million in 2008 to R$263.2 in 2009 due to a decrease in the SELIC rate from 13.66% as of December 31, 2008 to 8.66% as of December 31, 2009. Our securities portfolio is mainly composed of securities linked to the SELIC rate.

Derivatives

Our income net of expenses from derivatives varied from a income of R$219.1 million in 2008 to an expense of R$252.9 million in 2009, mainly due to variations in our net results (i) on future transactions, from a net gain of R$85.4 million in 2008 to net loss of R$76.0 million in 2009 and (ii) on swap transactions, from a net gain of R$131.2 million in 2008 to net loss of R$175.5 million in 2009. The results of derivative financial instruments reflect the effects of interest rate and foreign exchange rate volatilities, and these results offset the effects of these volatilities on our core banking operations.

Foreign exchange operations

Our income net of expenses from foreign exchange operations varied from a income of R$82.8 million in 2008 to an expense of R$0.4 million in 2009, mainly due to the decrease of 35.1% in the average balance of our foreign trade transactions (as measured by the net average balance of positive and negative foreign exchange operations), from R$148.0 million in 2008 to R$96.9 million in 2009, and the appreciation by 25.6% of the *real* against the U.S. dollar in 2009.

Expenses from financial intermediation

Our expenses from financial intermediation decreased 47.1%, from R$1,181.7 million in 2008 to R$624.7 million in 2009. The table below provides the composition of our expenses from financial intermediation for the years indicated:

Expenses from financial intermediation

	For the year ended December 31,				
	2008	% of income from financial intermediation	2009	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Funding operations	762.1	46.2%	323.7	40.4%	(57.5)%
Borrowings and onlendings	242.8	14.7%	61.1	7.6%	(74.8)%
Foreign exchange operations	-	n.a.%	0.4	n.a.%	n.a.%
Provision for loan losses	176.8	10.7%	239.5	29.9%	35.5%
Total	**1,181.7**	**71.6%**	**624.7**	**78.0%**	**(47.1)%**

Funding operations

The table below shows the composition of our expenses from funding operations for the years indicated:

	For the year ended December 31,				
	2008	% of the total	2009	% of the total	Variation (%)
	(R$ millions, except percentages)				
Interbank deposits	43.2	5.7%	29.0	9.0%	(32.9)%
Time deposits	251.0	32.9%	167.1	51.6%	(33.4)%
Money-market funding	146.0	19.2%	73.0	22.6%	(50.0)%
Funds from acceptance and issuance of securities[1]	318.5	41.8%	51.9	16.0%	(83.7)%
Fund of credit guarantee	3.4	0.4%	2.7	0.8%	(20.6)%
Total	**762.1**	**100.0%**	**323.7**	**100.0%**	**(57.5)%**

Note:

(1) Expenses from the issuance of securities abroad do not include earnings from exchange rate variation applicable to these operations, which are recorded as other operating income.

Our expenses from funding operations decreased 57.5%, from R$762.1 million in 2008 to R$323.7 million in 2009, mainly as a result of: (i) a 17.8% decrease in the average balance of time deposits, from R$2,038.5 million in 2008 to R$1,675.5 million in 2009; (ii) a 45.4% decrease in the average balance of repurchase transactions, from R$1,418.0 million in 2008 to R$774.8 million in the 2009; and (iii) the 25.6% appreciation of the *real* against the U.S. dollar in 2009 which had the effect of reducing the value in *reais* of payments on our notes issued abroad. As of December 31, 2008 and 2009, the total amount outstanding of our notes issued abroad was U.S.$345 million and U.S.$225 million, respectively.

Borrowings and onlendings

Our expenses from borrowings and onlendings decreased 74.8%, from R$242.8 million in 2008 to R$61.1 million in 2009, mainly as a result of the 25.6% appreciation of the *real* against the U.S. dollar in 2009.

Provision for loan losses

Our provision for loan losses reflects both the aggregate value of our credit portfolio and the credit risk assigned to credits within the portfolio. Our closing balance provisions increased 11.3%, from R$191.5 million in 2008 to R$213.2 million in 2009, which was proportionately greater than the 3.0% increase in the aggregate balance of the credit portfolio from R$3,705.5 million as of December 31, 2008 to R$3,814.9 million as of December 31, 2009. The increase reflected our conservative provisioning policy implemented in 2009 to anticipate possible problems our clients may face and difficulties we may encounter in the realisation of security.

Our closing balance allowance for loan losses as a percentage of our credit operations was 5.6% as of December 31, 2009 compared to 5.2% as of December 31, 2008.

Gross profit from financial intermediation

As a result of the foregoing, our gross profit from financial intermediation decreased 62.4%, from R$468.7 million in 2008 to R$176.4 million in 2009.

Other operating income (expenses)

Our other operating income net of other operating expenses varied from an expense of R$192.0 million in 2008 to an income of R$120.5 million in 2009. The following table shows the composition of our other operating income (expenses) for the years indicated:

Other operating income (expenses)

	For the year ended December 31,							
	2008	% of income from financial intermediation		2009	% of income from financial intermediation		Variation (%)	
	(R$ millions, except percentages)							
Income from services provided	26.2	1.6	%	18.5	2.3	%	(29.4)	%
Income from insurance operations	2.1	0.1	%	3.2	0.4	%	52.4	%
Personnel expenses	(71.0)	(4.3)	%	(63.9)	(8.0)	%	(10.0)	%
Other administrative expenses	(172.7)	(10.5)	%	(109.4)	(13.7)	%	(36.7)	%
Tax expenses	(32.9)	(2.0)	%	(37.4)	(4.7)	%	13.7	%
Other operating income	92.3	5.6	%	363.9	45.4	%	294.3	%
Other operating expenses	(36.0)	(2.2)	%	(54.4)	(6.8)	%	51.1	%
Total	**(192.0)**	**(11.6)**	%	**120.5**	**15.1**	%	**n.a.**	%

Income from services provided

Our income from services provided decreased 29.4%, from R$26.2 million in 2008 to R$18.5 million in 2009, principally due to the decrease in the average balance of our outstanding loans during 2009 compared to 2008.

Personnel expenses

Our personnel expenses decreased 10.0%, from R$71.0 million in 2008 to R$63.9 million in 2009. The reduction reflects a decrease in the number of our employees that occurred in the fourth quarter of 2008 as a result of the global financial crisis which is fully reflected in our overall payroll expense for 2009. We reduced our number of employees from a pre-crisis high of 711 on September 30, 2008 to 561 on December 31, 2008. With the stabilisation and then improvement in economic conditions in 2009, our number of employees increased to 593 on December 31, 2009.

Other administrative expenses

Our other administrative expenses decreased 36.7%, from R$172.7 million in 2008 to R$109.4 million in 2009, mainly due to the decrease in the value of loans originated during 2009 compared to 2008, which in turn resulted in a R$60.1 million decrease in the amount of expenses of commission we paid to our banking correspondents.

Tax expenses

Our tax expenses increased 13.7%, from R$32.9 million in 2008 to R$37.4 million in 2009, mainly due to the increase in our taxable income, and more specifically in contributions to federal taxes including the Programme for Social Integration (*Programa de Integração Social*) ("PIS") and the Contribution for the Financing of Social Security (*Contribuição para o Financiamento da Seguridade Social*) ("COFINS").

Other operating income

Our other operating income increased 294.3%, from R$92.3 million in 2008 to R$363.9 million in 2009. This increase was mainly due to appreciation of 25.6% of the *real* against the U.S. dollar in 2009 compared to depreciation of 32.2% in 2008. In 2009, we recorded exchange rate variation gains of R$346.7 million from our U.S. dollar denominated securities, borrowings, compared to R$81.2 million in 2008.

Other operating expenses

Our other operating expenses increased 51.1%, from R$36.0 million in 2008 to R$54.4 million in 2009. This increase was mainly due to (i) the appreciation of 25.6% of the *real* against the U.S. dollar in 2009 compared to a depreciation of 32.2% in 2008, which resulted in an increase in our exchange rate variation loss on our foreign exchange transactions from R$11.1 million in 2008 to R$20.0 million in 2009 and (ii) an increase in our provisions for contingent liabilities from R$2.8 million in 2008 to R$3.1 million in 2009. This increase was partially offset by a decrease in the inflation adjustment to taxes from R$16.5 million in 2008 to R$13.8 million in 2009.

Income from operations

As a result of the foregoing, our income from operations increased 7.3%, from R$276.7 million in 2008 to R$296.9 million in 2009.

Income and social contribution taxes

Our income and social contribution taxes increased 13.3%, from R$99.5 million in 2008 to R$112.7 million in 2009, mainly as a result of our increased taxable income in 2009 due to the increase in the rate of social contribution tax payable from 9% to 15%. Our deferred taxes decreased 1.7% from R$55.4 million in 2008 to R$54.4 million in 2009.

Net income

As a result of the foregoing, our net income increased 5.4%, from R$200.2 million in 2008 to R$211.1 million in 2009.

Comparison of Results of Operations for the Year Ended December 31, 2007 Compared to the Year Ended December 31, 2008

The following table shows certain items derived from our income statements for the years indicated:

Statement of Income Data

	For the year ended December 31,								
	2007	% of total income from financial intermediation		2008	% of total income from financial intermediation		Variation (%)	
	(R$ millions, except percentages)							
Income from financial intermediation	775.6	100.0	%	1,650.4	100.0	%	112.8	%
Expenses from financial intermediation	(385.4)	(49.7)	%	(1,181.7)	(71.6)	%	206.6	%
Gross profit from financial intermediation	**390.2**	**50.3**	%	**468.7**	**28.4**	%	**20.1**	%
Other operating (expenses) income	(117.4)	(15.1)	%	(192.0)	(11.6)	%	63.5	%
Income from operations	**272.8**	**35.2**		**276.7**	**16.8**	%	**1.4**	%
Non-operating income	(0.6)	(0.1)	%	(14.9)	(0.9)	%	n.a.	%
Income before income and social contribution taxes	**272.2**	**35.1**	%	**261.8**	**15.9**	%	**(3.8)**	%
Income and social contribution taxes	(83.2)	(10.7)	%	(99.5)	(6.0)	%	19.6	%
Deferred taxes	31.5	4.1	%	55.4	3.4	%	75.9	%
Profit sharing	(14.5)	(1.9)	%	(17.5)	(1.1)	%	20.7	%
Net income	**206.0**	**26.6**	%	**200.2**	**12.2**	%	**2.8**	%

Income from financial intermediation

Our income from financial intermediation increased 112.8%, from R$775.6 million in 2007 to R$1,650.4 million in 2008. The table below shows the composition of our income from financial intermediation for the years indicated.

Income from financial intermediation

	For the year ended December 31,							
	2007	% of total		2008	% of total		Variation (%)	
	(R$ millions, except percentages)							
Lending operations	617.5	79.6	%	1,073.8	65.1	%	73.9	%
Securities transactions	205.2	26.5	%	267.2	16.2	%	30.2	%
Derivatives	(68.2)	(8.8)	%	219.1	13.3	%	n.a.	%
Foreign exchange operations	18.5	2.4	%	82.8	5.0	%	347.6	%
Compulsory deposits	2.6	0.3	%	7.5	0.4	%	188.5	%
Total	**775.6**	**100.0**	**%**	**1,650.4**	**100.0**	**%**	**112.8**	%

Lending operations

The table below contains the composition of our income from lending operations for the years indicated.

Lending Operations

	For the year ended December 31,				
	2007	% of total	2008	% of total	Variation (%)
	(R$ millions, except percentages)				
Loans	487.1	78.9%	736.8	68.6%	51.3%
Discounted trade notes[1]	75.2	12.2%	84.9	7.9%	12.9%
Financing[2]	54.2	8.8%	231.3	21.5%	326.8%
Advances on foreign exchange contracts	1.0	0.1%	20.8	2.0%	1,980.0%
Total	**617.5**	**100.0%**	**1,073.8**	**100.0%**	**73.9%**

Notes:

(1) Represents income from financial instruments acquired from our clients at a discount for collection.

(2) Represents income from our direct consumer credits.

Our income from lending operations increased 73.9% from R$617.5 million in 2007 to R$1,073.8 million in 2008. This increase was mainly due to a 76.8% increase in the average balance of our outstanding loans, from R$2,331.4 million in 2007 to R$4,122.8 million in 2008. The increase in the average balance of our outstanding loans was due to: (i) an increase of R$800.0 million in the average balance of loans to middle-market clients, (ii) an increase of R$599.0 million in the average balance of vehicle financing and (iii) an increase of R$390.3 million in the average balance of our payroll deduction loans and direct consumer credits from R$343.7 million in 2007 to R$734.0 million in 2008.

Securities transactions

Our income from securities transactions increased 30.2%, from R$205.2 million in 2007 to R$267.2 in 2008. Our increased income from securities was mainly due to a 32.1% increase in the average balance of our federal government securities portfolio from R$564.1 million in 2007 to R$698.3 million in 2008 and an increase in the SELIC rate from 11.18% as of December 31, 2007 to 13.66% as of December 31, 2008.

Derivatives

Our income net of expenses from derivatives varied from an expense of R$68.2 million in 2007 to income of R$219.1 million in 2008, mainly due to improvements in the net results of our swap transactions in the amount of R$115.9 million and of our futures transactions in the amount of R$169.7 million. The results of derivative financial instruments reflect the effects of interest rate and foreign exchange rate volatilities, and these results offset the effects of these volatilities on our core banking operations.

Foreign exchange operations

Our income net of expenses from foreign exchange operations increased 347.6%, from R$18.5 million in 2007 to R$82.8 million in 2008, mainly due to an increase of 91.5% in the average balance of our foreign trade transactions (as measured by the net average balance of positive and negative foreign exchange operations), from R$75.9 million in 2007 to R$148.0 million in 2008.

Expenses from financial intermediation

Our expenses from financial intermediation increased 206.6%, from R$385.4 million in 2007 to R$1,181.7 million in 2008. The table below provides the composition of our expenses from financial intermediation for the years indicated:

Expenses from financial intermediation

	For the year ended December 31,				
	2007	% of income from financial intermediation	2008	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Funding operations	301.0	38.8%	762.1	46.2%	153.2%
Borrowings and onlendings	23.6	3.1%	242.8	14.7%	928.8%
Provision for loan losses	60.8	7.8%	176.8	10.7%	190.8%
Total	**385.4**	**49.7%**	**1,181.7**	**71.6%**	**206.6%**

Funding operations

The table below shows the composition of our expenses from funding operations for the years indicated:

	For the year ended December 31,				
	2007	% of the total	2008	% of the total	Variation (%)
	(R$ millions, except percentages)				
Interbank deposits	12.4	4.2%	43.2	5.7%	248.4%
Time deposits	166.3	55.2%	251.0	32.9%	50.9%
Money-market funding	91.0	30.2%	146.0	19.2%	60.4%
Funds from acceptance and issuance of securities(1)	28.9	9.6%	318.5	41.8%	1,002.1%
Fund of credit guarantee	2.4	0.8%	3.4	0.4%	41.7%
Total	**301.0**	**100.0%**	**762.1**	**100.0%**	**153.2%**

Note:

(1) Expenses from the issuance of securities abroad do not include earnings from exchange rate variation applicable to these operations, which are recorded as other operating income.

Our expenses from funding operations increased 153.2%, from R$301.0 million in 2007 to R$762.1 million in 2008, mainly as a result of: (i) a 40.7% increase in the average balance of time deposits, from R$1,449.4 million in 2007 to R$2,038.5 million in 2008; (ii) a 56.1% increase in the average balance of repurchase transactions, from R$908.7 million in 2007 to R$1,418.0 million in the 2008; and (iii) a 21.1% increase in the average balance of our notes issued abroad, from R$360.8 million in 2007 to R$437.0 million in 2008, coupled with the depreciation by 32.2% of the *real* against the U.S. dollar in 2008. In addition, our expenses from funding operations reflected an increase in average interest rates payable on our time deposit funding operations from 11.6% in 2007 to 12.5% in 2008.

Borrowings and onlendings

Our expenses from borrowings and onlendings increased 928.8%, from R$23.6 million in 2007 to R$242.8 million in 2008, mainly as a result of an increase in the average balance of our borrowings and onlendings operations, from R$184.1 million in 2007 to R$676.5 million in 2008, coupled with the depreciation by 32.2% of the *real* against the U.S. dollar in 2008.

Provision for loan losses

Our provision for loan losses reflects both the aggregate value of our credit portfolio and the credit risk assigned to credits within the portfolio. Our closing balance provisions increased 146.1%, from R$77.8 million in 2007 to R$191.5 million in 2008, principally as a result of increased loan default rates, mainly on our vehicle financing and middle market loan portfolios. This increase in provisions was proportionately greater than the 6.6% increase in the aggregate balance of the credit portfolio from R$3,476.0 million as of December 31, 2007 to R$3,705.5 million as of December 31, 2008.

Our closing balance allowance for loan losses as a percentage of our credit operations was 5.2% as of December 31, 2008 compared to 2.2% as of December 31, 2007.

Gross profit from financial intermediation

As a result of the foregoing, our gross profit from financial intermediation increased 20.1%, from R$390.2 million in 2007 to R$468.7 million in 2008.

Other operating income (expenses)

Our other operating expenses net of other operating income increased 63.5% from R$117.4 million in 2007 to R$192.0 million in 2008. The following table shows the composition of our other operating income (expenses) for the years indicated:

Other operating income (expenses)

	For the year ended December 31,				
	2007	**% of income from financial intermediation**	**2008**	**% of income from financial intermediation**	**Variation (%)**
	(R$ millions, except percentages)				
Income from services provided	13.5	1.7 %	26.2	1.6 %	94.1%
Income from insurance operations	-	n.a. %	2.1	0.1 %	n.a.%
Personnel expenses	(52.8)	(6.8) %	(71.0)	(4.3) %	34.5%
Other administrative expenses	(110.1)	(14.2) %	(172.7)	(10.5) %	56.8%
Tax expenses	(28.5)	(3.6) %	(32.9)	(2.0) %	15.4%
Other operating income	78.8	10.2 %	92.3	5.6 %	17.1%
Other operating expenses	(18.3)	(2.4) %	(36.0)	(2.2) %	96.7%
Total	**(117.4)**	**(15.1)** %	**(192.0)**	**(11.6)** %	**63.5%**

Income from services provided

Our income from services provided increased 94.1%, from R$13.5 million in 2007 to R$26.2 million in 2008, principally due to the increase in the average balance of our outstanding loans during 2008 compared to 2007.

Personnel expenses

Our personnel expenses increased 34.5%, from R$52.8 million in 2007 to R$71.0 million in 2008 . The increase reflects a significant increase in the number of our employees that occurred during the course of 2007 and the first nine months of 2008 prior to our reduction of personnel as a result of the global financial crisis in the fourth quarter of 2008. Our number of employees reached a pre-crisis high of 711 on September 30, 2008 before being reduced to 561 as of December 31, 2008.

Other administrative expenses

Our other administrative expenses increased 56.8%, from R$110.1 million in 2007 to R$172.7 million in 2008, mainly due to a significant increase in the value of loans originated during 2008 compared to 2007, which in turn resulted in a R$79.3 million increase in the amount of expenses of commission we paid to our banking correspondents. The increase in such expenses was partially offset by a reduction in certain other administrative expenses. In particular, we had a non-recurring expense of R$38.4 million in 2007 in relation to our initial public offer of shares.

Tax expenses

Our tax expenses increased 15.4%, from R$28.5 million in 2007 to R$32.9 million in 2008, mainly due to the increase in our taxable income, and more specifically in contributions to federal taxes like PIS and COFINS.

Other operating income

Our other operating income increased 17.1%, from R$78.8 million in 2007 to R$92.3 million in 2008. This increase was mainly due to exchange rate variation gains of R$72.1 million from our U.S. dollar denominated securities and borrowings in 2008, compared to R$68.5 million in 2007.

Other operating expenses

Our other operating expenses increased 95.6% from R$18.3 million in 2007 to R$36.0 million in 2008. This increase was mainly due to an increase in: (i) exchange rate variation loss on our foreign exchange transactions, which amounted to R$11.1 million in 2008 (ii) the inflation adjustment to taxes from R$10.5 million in 2007 to R$16.5 million in 2008 and (iii) our provisions for contingent liabilities from R$1.0 million in 2007 to R$2.8 million in 2008.

Income from operations

As a result of the foregoing, our income from operations increased 1.4% from R$272.8 million in 2007 to R$276.7 million in 2008.

Income and social contribution taxes

Our income and social contribution taxes increased 19.6%, from R$83.2 million in 2007 to R$99.5 million in 2008, mainly as a result of our increased taxable income in 2009. However, our deferred taxes also increased 75.9% from R$31.5 million in 2007 to R$55.4 million in 2008.

Net income

As a result of the foregoing, our net income decreased 2.8%, from R$206.0 million in 2007 to R$200.2 million in 2008.

Liquidity and Capital Resources

Liquidity

Our asset and liability management policy is designed to ensure that our capital position is adequate for our risk profile and consistent with applicable regulatory standards and guidelines. In particular, our policy is designed to avoid material mismatches between our assets and liabilities, optimise our risk-return ratio and ensure that we have sufficient liquidity to meet obligations for deposit withdrawals, repay other liabilities at maturity, make loans or enter into other transactions with our customers and meet our working capital needs.

We seek to maintain access to diversified funding sources at reasonable costs, within the framework of our asset and liability management policy, which establishes limits with respect to risks, interest rate sensitivity, funding gaps and limitations of asset concentration.

We review the main aspects of our asset and liability management, as well as our liquidity and capital resources, in regular monthly meetings of our committees. These committees review and evaluate our liquidity position to establish a minimum liquidity level and, when necessary, hold extraordinary meetings to review and evaluate our liquidity position as a result of macroeconomic changes.

To avoid a liquidity crisis, we monitor our investments on a daily basis to seek to maintain a high level of our deposits in cash and available funds. Our total cash and available funds were R$1,827.5 million, R$1,774.5 million, R$1,240.0 million and R$1,178.0 million as of September 30, 2010 and December 31, 2009, 2008 and 2007, respectively. We also generally maintain the average term of our total funding higher than the average term of our loan portfolio. In order to deal with an unanticipated need for substantial liquidity, we have prepared a contingency plan consisting of the use of additional funds from our current facilities and the reduction of our total loan portfolio, including through the interruption of our lending operations. In addition, we and other financial institutions in Brazil have unused pre-approved credit lines with the Central Bank, which are limited to the amount of government-issued securities we hold. Since our creation, we have never used these credit lines.

Our contingency plans were promptly implemented following the on-set of the global financial crisis in the fourth quarter of 2008. In common with various other Brazilian financial institutions, we suffered a reduction in time deposits in the immediate aftermath of the crisis. To address such shortfall and other effects of the global financial crisis, we increased our use of interbank funding, took steps to reduce our credit exposure, slowed our growth plans, implemented cost cutting measures and sought to access alternative funds, most notably through the issue of R$410 million of Pioneer CDBs to the Pioneer Investors in March 2009. Through the course of 2009, our time deposit base was re-established and has reverted to pre-crisis levels.

Our treasury department is responsible for managing our liquidity and funding sources, including trading securities denominated in *reais* and in foreign currency. Our treasury department maintains what we believe is a proper balance between scheduled maturities and diversification of funding sources. With our current level of capital resources and capacity to access additional funding, we believe that our overall liquidity is sufficient to meet our existing obligations to our customers and creditors, satisfy anticipated changes in our asset and liability levels and fulfil our ordinary course working capital needs.

Sources of Funding

The following table shows the composition of our funding at the dates presented:

	As of September 30			
	2009		2010	
	(R$ millions)	(% of total funding)	(R$ millions)	(% of total funding)
Demand deposits	89.5	2.2%	332.4	4.8%
Interbank deposits	150.7	3.8%	28.3	0.4%
Time deposits	2,088.7	52.2%	2,885.5	41.8%
Other deposits	2.5	0.1%	1.6	n.a.%
Money market instruments	320.9	8.0%	1,724.2	25.0%
Funds from acceptance and issuance of securities	589.5	14.7%	657.0	9.5%
Borrowings and onlendings	756.9	19.0%	1,269.8	18.5%
Total funds	**3,988.7**	**100.0%**	**6,898.8**	**100.0%**

	As of December 31					
	2007		2008		2009	
	(R$ millions)	(% of total funding)	(R$ millions)	(% of total funding)	(R$ millions)	(% of total funding)
Demand deposits	190.6	4.1%	113.8	2.4%	122.8	2.5%
Interbank deposits	233.2	5.1%	463.6	9.8%	134.6	2.8%
Time deposits	1,908.1	41.3%	1,179.4	25.0%	2,122.5	44.0%
Other deposits	-	n.a.%	0.2	n.a.%	1.9	0.1%
Money market instruments	1,514.4	32.7%	1,290.6	27.4%	1,190.0	24.7%
Funds from acceptance and issuance of securities	214.6	4.6%	785.5	16.7%	373.4	7.7%
Borrowings and onlendings	565.1	12.2%	881.4	18.7%	875.5	18.2%
Total funds	**4,626.0**	**100.0%**	**4,714.5**	**100.0%**	**4,820.7**	**100.0%**

We believe that our current sources of funding provide us with adequate resources for our lending operations.

Demand deposits

As of September 30, 2010, we had a total of R$332.4 million in demand deposits, compared to R$89.5 million as of September 30, 2009. As of December 31, 2009, we had a total of R$122.8 million in demand deposits, compared to R$113.8 million and R$190.6 million as of December 31, 2008 and 2007 respectively. As we do not operate retail branches, we do not consider demand deposits to be a significant source of funding.

Interbank deposits

We receive interbank loans from Brazilian financial institutions in open market operations. Our balance of interbank deposits increased 98.8% from R$233.2 million as of December 31, 2007 to R$463.6 million as of December 31, 2008, and then decreased 71.0% to R$134.6 million as of December 31, 2009. Our balance of interbank deposits decreased 81.2% from R$150.7 million as of September 30, 2009 to R$28.3 million as of September 30, 2010. In the fourth quarter of 2008, we increased our interbank funding in response to the reduction in time deposits in the immediate aftermath of the global financial crisis. Through the course of 2009 and the nine-month period ended September 30, 2010, we decreased our interbank funding as our time deposit base was re-established.

Time deposits

A significant portion of our funding is in the form of time deposits. Usually, these deposits result from the sale of CDBs to Brazilian companies, pension funds and individuals. Most of our CDBs bear an interest rate equivalent to the CDI plus a spread. Usually, CDBs have a lower average cost and longer average maturity than our assets. Our balance of time deposits decreased 38.2%, from R$1,908.1 million as of December 31, 2007 to R$1,179.4 million as of December 31, 2008, and then increased 80.0% from to R$2,122.5 million as of December 31, 2009. Our balance of time deposits increased 38.1% from R$2,088.7 million as of September 30, 2009 to R$2,885.5 million as of September 30, 2010. As explained above, in common with various other Brazilian financial institutions, we suffered a reduction in time deposits in the immediate aftermath of the global financial crisis in the fourth quarter of 2008. Through the course of 2009, as confidence returned to the financial markets, our time deposit base was re-established and has reverted to pre-crisis levels.

During the first quarter of 2009, we concluded an agreement with the Pioneer Investors pursuant to which the Pioneer Investors subscribed R$410.0 million of our Pioneer CDBs in a private placement. The operation was intended to increase our liquidity and strengthen our capital structure, provide funding to expand our middle market lending operations and diversify and extend the tenor of our funding. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants which may be converted into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. The warrants may be converted into up to a maximum of 18,451,613 ordinary shares and 50,322,580 preferred shares. The Pioneer CDBs mature on March 31, 2014 and pay interest through March 31, 2013 at a rate of 110% of the DI-CETIP Over rate and thereafter at a rate of 55% of the DI-CETIP Over rate.

Our board of directors, at a meeting held on October 21, 2010, passed a resolution approving the possibility of early redemption of the Pioneer CDBs. Any such early redemption must be approved by our management, through negotiation with the respective holders, in conditions favourable to the Bank, considering the current economic scenario and financial market liquidity. Any such early redemption shall not affect the terms and conditions of unredeemed Pioneer CDBs and shall not affect the provisions relating to the terms and conditions for the exercise of the warrants acquired upon subscription the Pioneer CDBs. As of the date of these Listing Particulars, R$74 million of our Pioneer CDBs have been redeemed pursuant to the resolution described above.

The table below shows the composition of our CDB and CDI portfolios by maturity at the dates presented.

	As of September 30,	
	2009	**2010**
	(R$ millions)	
Up to 90 days	463.6	520.5
From 91 days to 1 year	719.0	903.4
From 1 year to 3 years	553.9	921.2
Over 3 years	502.9	568.7
Total	**2,239.4**	**2,913.8**

	As of December 31,		
	2007	2008	2009
	(R$ millions)		
Up to 90 days	990.9	690.4	468.6
From 91 days to 1 year	652.7	454.1	648.1
From 1 year to 3 years	384.7	414.0	601.2
Over 3 years	113.0	84.5	539.2
Total	**2,141.3**	**1,643.0**	**2,257.1**

The table below shows the concentration of our CDB and CDI portfolios by depositors at the dates presented:

	As of September 30, 2010
Largest depositor	4.5%
10 largest depositors	29.5%
20 largest depositors	44.6%
50 largest depositors	66.9%
100 largest depositors	80.2%
Total number of depositors	**836**

	As of December 31,		
	2007	2008	2009
Largest depositor	4.3 %	7.4 %	4.8 %
10 largest depositors	29.1 %	37.8 %	29.7 %
20 largest depositors	43.5 %	52.0 %	47.1 %
50 largest depositors	63.9 %	73.4 %	68.2 %
100 largest depositors	78.7 %	85.3 %	82.9 %
Total number of depositors	**712**	**719**	**774**

Money Market Funding

We manage our liquidity position by performing overnight operations with other financial institutions, generally for a one-business-day term, backed up by federal treasury bonds and buy-back commitments. These operations represent an important instrument in the management of our treasury operations. As of December 31, 2007, December 31, 2008 and December 31, 2009, our money market funding transactions totaled R$1,514.4 million, R$1,290.6 million and R$1,190.0 million, respectively. As of September 30, 2009 and 2010, our money market funding transactions totalled R$320.9 million and R$1,724.2 million, respectively. Our use of money market funding varies from time to time depending upon our short-term liquidity and arbitrage opportunities in the market.

Funds from acceptance and issuance of securities

These funds consist of debt issued in the international capital markets, mainly pursuant to our U.S.$1,000,000,000 Euro Medium-Term Note Programme. As of December 31, 2007, December 31, 2008 and December 31, 2009, our outstanding notes totaled R$214.6 million, R$785.5 million and R$373.5 million, respectively. The reduction as of December 31, 2009 reflected the maturity on October 30, 2009 of U.S.$120,000,000 of our notes. We issued U.S.$300,000,000 notes on March 16, 2010 and, as of

September 30, 2010, our outstanding notes totalled R$657.0 million. Our outstanding notes bear interest at rates of 6.50% to 7.25%.

Borrowings and onlendings

A portion of our funding from borrowings and onlendings consists of the amounts received from Daycoval Veículos FIDC, which was created in 2008 to securitise part of our vehicle finance portfolio. According to article 24, item XV, of CVM Instruction No. 356 (as amended by CVM Instruction No. 393) and article 47 of the regulation of Daycoval Veículos FIDC, the ratio between the value of the senior quotas and the net equity of Daycoval Veículos FIDC will be of 78.0%, and the remaining 22.0% of its net equity will be represented by subordinated quotas. This ratio will be determined daily and will be made available to Daycoval Veículos FIDC's investors on a monthly basis. As part of our funding strategy, we transfer to Daycoval Veículos FIDC certain of our vehicle finance receivables against receipt of cash advances. Daycoval Veículos FIDC collects these receivables and pays to its senior quota holders, on an annual basis, interest at 113.0% of the CDI. As the holder of the subordinated quotas, we are liable for any losses suffered by Daycoval FIDC up to the total value of our quotas and are entitled to receive any surplus after payments are made to the senior quotaholders. As of September 30, 2010, the outstanding balance of receivables held by Daycoval Veículos FIDC was R$173.1 million, compared to R$174.5 million as of September 30, 2009. As of December 31, 2009, the outstanding balance of receivables held by Daycoval Veículos FIDC was R$187.5 million, compared to R$172.9 million as of December 31, 2008. Daycoval Veículos FIDC is managed by Oliveira Trust Distribuidora de Títulos Ltda. ("Oliveira") and its quotas are held in book-entry form with Itaú Unibanco S.A. Oliveira is not a party related to us. When Daycoval Veículos FIDC was created, it was rated brAAA+ by Standard & Poor's.

A further portion of our funding from borrowings and onlendings previously consisted of amounts received from Daycoval FIDC, which was created in 2006 to securitise part of our loan portfolio. Daycoval FIDC commenced its operations for a three year term in September 2006, and such operations terminated upon maturity in October 2009. As of December 31, 2008, the outstanding balance of receivables held by Daycoval FIDC was R$66.5 million, compared to R$187.7 million as of December 31, 2007.

Funds from borrowings and onlendings also include resources from credit facilities executed with other financial institutions located outside Brazil to finance the import and export operations of our clients. As of September 30, 2010, the outstanding balance of these facilities was R$415.7 million, compared to R$217.8 million as of September 30, 2009. As of December 31, 2009, the outstanding balance of these facilities was R$435.6 million, compared to R$282.6 million as of December 31, 2008 and R$226.7 million as of December 31, 2007. In addition, we fund foreign exchange operations denominated in foreign currency relating to the financing of imports and exports, the outstanding balance of which amounted to R$505.5 million and R$359.1 million as of September 30, 2010 and 2009, respectively. The outstanding balance of these facilities amounted to R$193.0 million as of December 31, 2009 compared to R$359.9 million as of December 31, 2008 and R$204.1 million as of December 31, 2007.

In addition to funds from Daycoval Veículos FIDC and Daycoval FIDC and credit facilities with financial institutions outside Brazil, we commenced to act as an accredited financial agent for BNDES in 2008, onlending special purpose funding obtained from BNDES to targeted groups of borrowers. The source of funds is managed by BNDES, principally on behalf of FINAME. In these circumstances, we borrow funds from BNDES and onlend those funds at a spread determined by BNDES to particular sectors of the economy or for specific purposes determined by BNDES and reflecting Brazilian government policy. We control lending decisions and the application of lending criteria, within certain parameters, which may be set by BNDES. Our lending is principally to the private sector, in respect of which we assume the risk for the funds we onlend. BNDES funds are typically lent for longer maturities than are our other middle market loans. As of September 30, 2010, the outstanding balance of these facilities was R$249.7 million, compared to R$37.3 million as of September 30, 2009. As of December 31, 2009, the outstanding balance of these facilities was R$101.5 million, compared to R$14.1 million as of December 31, 2008.

Credit Assignments to other Financial Institutions

Depending on opportunities in the market, we sometimes assign portions of our credit portfolio to other financial institutions. Such sales provide liquidity and represent an alternative source of indirect funding. Credit assignments to other financial institutions generally involve a repurchase commitment on our part in the event of a default in payment by the original client. In the year ended December 31, 2008, we sold R$292.3 million of loans to other financial institutions. We did not assign any portions of our credit portfolio in 2009 or in the nine-month period ended September 30, 2010. Since such assignments involve a repurchase obligation on our part in the event of default, we take provisions in respect of such loans on the same basis as our on balance sheet credit portfolio. Such provisions are charged in each fiscal period as other operating expenses and the aggregate amount is recorded in our balance sheet as other obligations.

Use of Funds

We mainly use our funds to carry out our lending operations and acquire interbank financial investments. We also use a substantial portion of our funding to acquire securities, including federal government securities issued by the National Treasury and by the Central Bank, which have lower risk and, consequently, higher liquidity.

The following table presents our main uses of funds at the dates indicated.

	As of September 30,			
	2009	**% of total assets**	**2010**	**% of total assets**
Total assets	6,177.4	100.0%	9,329.2	100.0%
Cash	30.8	0.5%	62.0	0.7%
Interbank instruments	1,669.4	27.0%	2,484.0	26.6%
Securities and derivatives	803.7	13.0%	1,125.2	12.1%
Loan portfolio	3,493.0	56.5%	5,186.0	55.6%
Foreign exchange portfolio	81.4	1.3%	187.3	2.0%
Total use of funds	**6,078.3**	**98.4%**	**9,044.5**	**96.9%**

	As of December 31,					
	2007	**% of total assets**	**2008**	**% of total assets**	**2009**	**% of total assets**
Total assets	6,556.6	100.0%	6,831.0	100.0%	7,060.8	100.0%
Cash	49.6	0.8%	45.8	0.7%	31.5	0.4%
Interbank instruments	1,994.4	30.4%	1,801.4	26.4%	2,142.8	30.4%
Securities and derivatives	749.8	11.4%	966.5	14.1%	854.1	12.1%
Loan portfolio	3,476.0	53.0%	3,705.5	54.2%	3,814.9	54.0%
Foreign exchange portfolio	205.3	3.1%	205.7	3.0%	100.5	1.4%
Total use of funds	**6,475.1**	**98.7%**	**6,724.9**	**98.4%**	**6,943.9**	**98.3%**

Compulsory Deposits with the Central Bank

The Central Bank requires that certain financial institutions either deposit a determined amount of funds with the Central Bank or purchase and hold Brazilian federal treasury securities. These compulsory deposits can be used only for limited purposes. The Central Bank determines the interest to be paid on these deposits, if any. As of September 30, 2010, the outstanding balance of such deposits and investments was

R$2.9 million, compared to R$2.2 million as of September 30, 2009. As of December 31, 2009, the outstanding balance of such deposits and investments was R$2.0 million, compared to R$2.9 million as of December 31, 2008 and R$67.4 million as of December 31, 2007. The decrease was due to a change in Central Bank regulations as of December 19, 2008 which was intended to improve liquidity in the Brazilian financial system by reducing the level of compulsory deposits that financial institutions are required to maintain with the Central Bank.

Investments

From 2007 to 2009, we made substantial investments in our information technology system and facilities. Our investments in information technology relate mainly to updating and maintaining information technology equipment and systems in accordance with the industry trends.

Capital Adequacy

We must comply with the capital requirements established by the Central Bank, which reflect the directives of the Basel II Accord with certain modifications. Central Bank regulations require that banks maintain a minimum capital level of 11% of risk-weighted assets. This percentage is higher than the 8.0% established in the Basel II Accord. The capital requirements are calculated on a consolidated basis.

The following table presents the calculation of our capital requirements and our regulatory capital level, on the dates presented.

	As of September 30,	
	2009	**2010**
	(R$ millions, except percentages)	
Adjusted shareholders' equity[1]	1,646.3	1,735.6
Write-down of revaluation reserves	(1.6)	(1.5)
Write-down of valuation adjustments to available-for-sale securities	(1.1)	(4.0)
Tier I regulatory capital	**1,643.7**	**1,730.1**
Addition of revaluation reserves	1.6	1.5
Addition of valuation adjustments to available-for-sale securities	1.1	4.0
Tier II regulatory capital	**2.7**	**5.5**
Risk-weighted regulatory capital	**1,646.3**	**1,735.6**
Capital allocation by risk level		
Credit risk	406.4	631.4
Market risk	138.7	163.8
Operational risk	72.4	106.2
Required regulatory capital[2]	**617.5**	**901.4**
Basel index[3]	29.3%	21.2%

	As of December 31,		
	2007	**2008**	**2009**
	(R$ millions, except percentages)		
Adjusted shareholders' equity[1]	1,517.5	1,607.2	1,692.7
Write-down of revaluation reserves	-	(2.0)	(1.6)
Write-down of valuation adjustments to available-for-sale securities	-	(4.9)	(0.4)
Tier I regulatory capital	**1,517.5**	**1,600.3**	**1,690.7**
Addition of revaluation reserves	-	2.0	1.6
Addition of valuation adjustments to available-for-sale securities	-	4.9	0.4
Tier II regulatory capital	-	**6.9**	**2.0**

	As of December 31,		
	2007	2008	2009
	(R$ millions, except percentages)		
Risk-weighted regulatory capital	**1,517.5**	**1,607.2**	**1,692.7**
Capital allocation by risk level			
Credit risk	409.7	428.6	434.8
Market risk	56.1	186.1	143.1
Operational risk	-	12.8	72.4
Required regulatory capital(2)	**465.8**	**627.5**	**650.3**
Basel index(3)	35.8%	28.2%	28.6%

Notes:

(1) At the dates indicated, our adjusted shareholders' equity was equal to our shareholders' equity.

(2) Required regulatory capital is defined by the Central Bank and it establishes the minimum level of adjusted shareholders' equity based upon our risk-weighted assets.

(3) Basel index corresponds to 11% of our adjusted shareholders' equity divided by the minimum amount of capital we are required to maintain pursuant to the regulations of the Central Bank.

Contractual Obligations

The table below presents the maturity of our significant contractual obligations as of the dates indicated. The table does not include deferred income tax liability and estimated payments of interest on such obligations.

	As of September 30, 2010			
Contractual Obligations	**Less than one year**	**From one to three years**	**From three to five years**	**Five years or more**
	(R$ millions)			
Funds from acceptance and issuance of securities	169.8	-	487.2	-
Borrowings and onlendings	623.3	555.5	80.4	10.6
Derivatives	14.3	22.6	11.8	-
Exchange transactions	6.5	-	-	-
Rents	5.9	1.5	0.3	-

	As of December 31, 2009			
Contractual Obligations	**Less than one year**	**From one to three years**	**From three to five years**	**Five years or more**
	(R$ millions)			
Funds from acceptance and issuance of securities	206.0	167.4	-	-
Borrowings and onlendings	495.0	228.7	25.0	126.8
Derivatives	5.9	19.3	-	-
Exchange transactions	8.7	-	-	-
Rents	6.3	3.0	-	-

Off-Balance Sheet Transactions

Except for the bank guarantees we provide in the ordinary course of our business, we do not have any off-balance sheet transactions. In addition, we do not control any company that is not consolidated or otherwise included in our financial statements. Other than Daycoval Veículos FIDC and Daycoval Classic, which are consolidated, we do not own any equity interest in any special purpose company.

As of September 30, 2010, guarantees provided on behalf of third parties amounted to R$231.0 million, of which R$60.9 million relate to the co-obligations to third parties from the assignment of receivables, compared to R$281.2 million and R$163.4 million, respectively, as of September 30, 2009. Guarantees provided on behalf of third parties as of December 31, 2009 amounted to R$218.2 million, of which R$130.0 million relate to the co-obligations to third parties from the assignment of receivables. As of December 31, 2008, guarantees amounted to R$314.0 million, of which R$275.4 million relate to the co-obligations to third parties from the assignment of receivables. As of December 31, 2007, guarantees amounted to R$97.9 million, none of which relate to the co-obligations to third parties from the assignment of receivables.

Financial guarantees provided on behalf of third parties are subject to financial charges and counter-guarantees provided by beneficiaries.

Information on Market Risks

Risk and Risk Management

In the ordinary course of our business, we are exposed to various risks inherent to banking activities. The way we manage these risks directly affect our activities and operations and, consequently, our results. The most significant risks to which we are exposed to are:

- market risk;
- exchange rate risk;
- interest rate risk;
- liquidity risk; and
- operating risk.

The manner in which we manage and identify these risks is essential for our profitability. Our management of these risks involves different levels of our management team and encompasses a series of policies and strategies.

Market Risk

We identify market risk through the impact on the value of our assets and liabilities of variations such as in the interest rate and exchange rate curves. Since most of our assets and liabilities are subject to market risk, we have developed our own tools to make it possible to carry out real-time diagnosis of our entire assets and liabilities exposure, as well as offering us alternative scenarios and the impacts of the same on the value of our positions, such as the development of studies and economic-financial analysis that evaluate the impact of different scenarios in the market positions, reports that monitor the risks to which we are subject and periodic tests that evaluate the controls on these risks and also verify the adequacy of our methodology. We also use a risk system called Value at Risk (VaR) to measure the exposure of our positions to market risk. The VaR consistently applies to all products and markets, allowing the comparison of risks among different portfolios. This system is based on the parametric assessment technique within a one year period and with approximately

99.0% confidence interval. The efficacy of this system is tested through procedures that indicate the historical degree of adhesion of the results, and the figures obtained in the current measurement.

Exchange Rate Risk

Most of our transactions are denominated in *reais*. However, we also have obligations denominated in or indexed to foreign currencies, especially the U.S. dollar. As of September 30, 2010 and 2009, our consolidated foreign exchange exposure was R$173.5 million and R$115.6 million, respectively, equivalent to 8.0% and 7.0% of our shareholders' equity at such dates. As of December 31, 2009, December 31, 2008 and December 31, 2007, our consolidated foreign exchange exposure was R$120.5 million, R$147.2 million and R$27.0 million, respectively, equivalent to 7.1%, 9.2% and 1.8% of our reference shareholders' equity at such dates.

Our consolidated exchange rate exposure equals the difference between the assets and liabilities linked to a foreign currency, including derivatives at market value. The Central Bank requires that financial institutions maintain a consolidated exchange rate exposure lower than 30.0% of the reference shareholder's equity.

We engage in derivative financial transactions to minimise the effect of foreign exchange rates on our dollar-indexed assets and liabilities or if we are instructed to do so by our clients. These operations involve various types of derivatives, including interest rates swaps, foreign exchange rate swaps and future contracts. As of September 30, 2010, the notional value of our derivative contracts amounted to R$1,838.7 million, compared to R$1,981.1 million as of September 30, 2009. As of December 31, 2009, December 31, 2008 and December 31, 2007, the notional value of our derivative contracts amounted to R$1,775.1 million, R$1,955.4 million and R$1,927.0 million, respectively.

The table below shows our assets and liabilities indexed in foreign currencies, in terms of purchased and sold operations, respectively, at the dates indicated.

	Position in U.S.$		**Position in EURO**		**Position in Other Currencies**	
	As of September 30, 2010					
	Purchased[(a)]	**Sold[(b)]**	**Purchased[(c)]**	**Sold[(d)]**	**Purchased[(e)]**	**Sold[(f)]**
	(R$ millions, except percentages)					
Assets denominated in foreign currency						
Cash	1.3	-	0.6	-	0.3	-
Interbank investments	5.5	-	-	-	-	-
Loan portfolio	162.9	-	-	-	-	-
Other credits – foreign exchange portfolio	178.4	-	0.3	-	0.1	-
Investments	18.6	-	-	-	-	-
Total	**366.7**	**-**	**0.9**	**-**	**0.4**	**-**
Liabilities denominated in foreign currency						
Deposits	-	(1.6)	-	-	-	-
Securities issued abroad	-	-	-	-	-	-
Interbranch accounts	-	(10.4)	-	-	-	-
Borrowings and onlending	-	(583.5)	-	(55.0)	-	-
Other payables	-	(4.3)	-	(0.5)	-	(0.1)
Total	**366.7**	**(599.8)**	**0.9**	**(55.5)**	**0.4**	**(0.1)**
Derivatives	**1,063.4**	**(82.8)**	**57.1**	**(2.1)**	**-**	**-**
Consolidated foreign exchange exposure	**1,430.1**	**(682.6)**	**58.0**	**(57.6)**	**0.4**	**(0.1)**
Net exposure (a – b + c – d + e – f)						**748.2**
Consolidated foreign exchange exposure after adjustments regulated and permitted by BACEN						138.7
Reference shareholders' equity						1,735.6
Consolidated foreign exchange exposure as % of the reference shareholders' equity						8.0%

Position in U.S.$		Position in EURO		Position in Other Currencies	
As of September 30, 2010					
Purchased[(a)]	Sold[(b)]	Purchased[(c)]	Sold[(d)]	Purchased[(e)]	Sold[(f)]
(R$ millions, except percentages)					

	Position in U.S.$		Position in EURO	
	As of December 31, 2009			
	Purchased[(a)]	Sold[(b)]	Purchased[(c)]	Sold[(d)]
	(R$ millions, except percentages)			
Assets denominated in foreign currency				
Cash	0.7	-	0.2	-
Interbank investments	12.5	-	-	-
Loan portfolio	150.9	-	0.2	-
Other credits – foreign exchange portfolio	93.4	-	0.6	-
Investments	26.0	-	-	-
Total	**283.5**	**-**	**1.0**	**-**
Liabilities denominated in foreign currency				
Deposits	-	(0.3)	-	-
Securities issued abroad	-	(572.8)	-	-
Interbranch accounts	-	(0.9)	-	-
Borrowings and onlending	-	(371.7)	-	(0.7)
Other payables	-	(3.3)	-	(0.1)
Total	**-**	**(949.0)**	**-**	**(0.8)**
Derivatives	**692.0**	**(147.2)**	**0.2**	**(0.2)**
Consolidated foreign exchange exposure	**975.5**	**(1,096.2)**	**1.2**	**(1.0)**
Net exposure (a – b + c – d)				**(120.5)**
Reference shareholders' equity				1,692.7
Consolidated foreign exchange exposure as % of the reference shareholders' equity				(7.1)%

Interest Rate Risk

Interest rate risk results from the potential changes in the prices of our assets and liabilities, unexpected oscillations in the inclination and form of interest yield curves and changes in the correlation between interest rates of different financial instruments. We are exposed to interest rate risk when there are mismatches between the interest rates of our funding and the loans we grant.

Liquidity Risk

Liquidity risk represents the possibility of mismatch between maturity dates of our assets and liabilities, which could result in our inability to meet our obligations within the established terms. Our general policy is to maintain appropriate levels of liquidity that make it possible for us to meet our current and future obligations, while at the same time being able to take advantage of any opportunities that may arise. In addition, we are subject to the liquidity requirements established by the Central Bank.

We control liquidity risk on a daily basis through analysis of our mismatch structures, especially in the short-term. We also simulate these structures with estimates for renewal of portfolios. In parallel, we analyze on a monthly basis liquidity rates derived from the balances of the accounts of the balance sheets. In addition, we analyze stress scenarios specifically focused on liquidity.

Operating Risk

Operating risks are related to the possibility of losses resulting from failure, deficiency or inadequacy of internal procedures, persons and systems, or external events. Due to the increase in the volume of banking operations and greater dependency on computer systems, the maintenance of a proper technological base became essential to us. Thus, we have allocated substantial funds to assure the stability and availability of our computer systems.

SELECTED STATISTICAL INFORMATION

The information below is included only for analytical purposes and is based on and should be read in conjunction with our consolidated financial statements and accompanying notes included in these Listing Particulars, as well as with "Presentation of Financial Information", "Summary Financial Information", "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operation".

Average balance sheet and information on interest rates

The tables below set forth the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities, the interest income and expenses generated from such assets and liabilities and the average return rate for each period of the periods indicated. Data for full-year periods regarding volume and annual average balances included in these Listing Particulars was calculated at 13 dates: as of December 31 of the previous year and at the end of each of the following 12 months. Likewise, data regarding the average annual return rate included in these Listing Particulars was calculated based on the revenues and expenses for the period, divided by the average balances calculated as indicated above. For nine-month periods, the average balances were calculated at ten dates: as of December 31 of the previous year and at the end of each of the following nine months. Interest income and expense also include inflation adjustment and indexing of our assets and liabilities in *reais*; earnings and losses from assets and liabilities denominated in foreign currency; and earnings and losses both realised and to be realised in connection with securities and derivatives, except for mark-to-market adjustments of securities classified as available for sale, which are recorded under shareholders' equity and exclude applicable taxes and contributions.

	For the nine-month period ended September 30,					
	2009			2010		
	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%
	(R$ millions, except as otherwise indicated)					
Assets						
Lending operations	3,279.3	579.8	17.7%	4,182.0	686.5	16.4%
Foreign exchange portfolio(1)(2)	101.8	24.1	23.7%	111.8	22.7	20.3%
Interbank investments(3)	1,419.7	103.7	7.3%	749.4	87.8	11.7%
Securities and derivatives(4)	884.8	(158.5)	(17.9)%	939.3	61.4	6.5%
Total interest-earning assets	**5,685.6**	**549.1**	**9.7%**	**5,982.5**	**858.4**	**14.3%**

	For the year ended December 31,								
	2007			2008			2009		
	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%
	(R$ millions, except as otherwise indicated)								
Assets									
Lending operations	2,238.9	617.5	27.6%	3,955.7	1,073.8	27.1%	3,341.7	790.9	23.7%
Foreign exchange portfolio(1) (2)	75.9	18.5	24.4%	148.0	95.9	64.8%	96.9	29.2	30.1%
Interbank investments(3)	704.6	82.7	11.7%	827.9	105.6	12.8%	1,411.5	132.8	9.4%
Securities and derivatives(4)	624.0	7.1	1.1%	772.6	302.1	39.1%	867.4	(155.4)	(17.9)%
Total interest-earning assets	**3,643.4**	**725.8**	**19.9%**	**5,704.2**	**1,577.4**	**27.7%**	**5,717.5**	**797.5**	**13.9%**

(1) Foreign exchange transactions consist of the net balance of positive and negative foreign exchange positions as recorded, respectively, under "exchange purchased pending settlement" and "exchange sold pending settlement". The results of these transactions consist of the income from foreign exchange operations less expenses derived from such operations.

(2) Net income from foreign exchange portfolio include foreign exchange gains and losses that were previously recorded as "other operating income" in the following amounts (i) R$13.1 million in 2008, changing our net income from foreign exchange portfolio from income of R$82.8 million to income of R$95.9 million, (ii) R$29.5 million in 2009, changing our net expense from foreign exchange portfolio from expense of

R$0.3 million to income of R$29.2 million in 2009, (iii) R$31.9 million in the nine-month period ended September 30, 2009, changing our net expenses from foreign exchange portfolio from expense of R$7.8 million to income of R$24.1 million, and (iv) R$8.5 million in the nine-month period ended September 30, 2010, changing our net income from foreign exchange portfolio from income of R$14.2 million to income of R$22.7 million.

(3) Interbank investments consist of the net balance of interbank investment recorded as an asset position and money market funding (third party portfolio) recorded as a liability position.

(4) Securities and derivatives consist of the net balance of positive and negative operations with securities and derivatives. The results of these operations consist of the income from securities and derivatives less expenses derived from such instruments.

	For the nine-month period ended September 30,					
	2009			2010		
	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%
	(R$ millions, except as otherwise indicated)					
Liabilities						
Funding operations						
Interbank deposits	323.7	(26.4)	(8.2)%	88.0	(5.9)	(6.7)%
Time deposits	1,527.2	(120.7)	(7.9)%	2,383.5	(177.6)	(7.5)%
Money market funding(1)	431.9	(33.0)	(7.6)%	322.5	(23.5)	(7.3)%
Bills (*Letras Financeiras*)	-	-	-	0.1	-	-
Funds from acceptance and issuance of securities(2)	695.6	167.4	24.1%	684.6	(24.2)	(3.5)%
Total funding operations	**2,978.4**	**(12.7)**	**(0.4)%**	**3,478.7**	**(231.2)**	**(6.6)%**
Total borrowings and onlending(3)	776.5	16.8	2.2%	1,062.8	(36.8)	(3.5)%
Total interest-bearing liabilities	**3,754.9**	**4.1**	**0.1%**	**4,541.5**	**(268.0)**	**(5.9)%**
Gross profit from financial intermediation (before provisions)		**553.2**			**590.4**	

	For the year ended December 31,								
	2007			2008			2009		
	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%
	(R$ millions, except as otherwise indicated)								
Liabilities									
Funding operations									
Interbank deposits	116.2	(12.4)	(10.7)%	329.8	(43.0)	(13.0)%	270.9	(28.8)	(10.6)%
Time deposits	1,449.4	(168.6)	(11.6)%	2,038.5	(254.5)	(12.5)%	1,675.5	(170.0)	(10.1)%
Money market funding(1)	361.1	(41.2)	(11.4)%	495.3	(60.0)	(12.1)%	411.4	(40.2)	(9.8)%
Funds from acceptance and issuance of securities(2)	360.8	39.6	11.0%	437.0	(292.8)	(67.0)%	625.1	175.1	28.0%
Total funding operations	**2,287.5**	**(182.6)**	**(8.0)%**	**3,300.6**	**(650.3)**	**(19.7)%**	**2,982.9**	**(63.9)**	**(2.1)%**
Total borrowings and onlending(3)	184.1	(23.6)	(12.8)%	676.5	(220.6)	(32.6)%	791.3	9.0	1.1%
Total interest-bearing liabilities	**2,471.6**	**(206.2)**	**(8.3)%**	**3,977.1**	**(870.9)**	**(21.9)%**	**3,774.2**	**(54.9)**	**(1.5)%**
Gross profit from financial intermediation (before provisions)		**519.6**			**706.5**			**742.6**	

(1) The average balances of money marketing funding consider only our own portfolio of repurchase transactions.

(2) Net income (expenses) from funds derived from acceptance and issuances of securities include foreign exchange gains and losses that were previously recorded as "other operating income" in the following amounts (i) R$68.5 million in 2007, changing our net income (expense) from funds derived from acceptance and issuances of securities from expense of R$28.9 million to income of R$39.6 million, (ii) R$25.7 million in 2008, changing our net income (expense) from funds derived from acceptance and issuances of securities from expense of R$318.5 million to expense of R$292.8 million, (iii) R$227.0 million in 2009, changing our net income (expenses) from funds derived from acceptance and issuances of securities from expense of R$51.9 million to income of R$175.1 million, (iv) R$210.0 million in the nine-month period ended September 30, 2009, changing our net income (expense) from funds derived from acceptance and issuances of securities from expense of R$42.6 million to income of R$167.4 million, and (iv) R$52.3 million for the nine-month period ended September 30, 2010, changing our net income (expenses) from funds derived from acceptance and issuances of securities from expense of R$76.5 million to expense of R$24.2 million.

(3) Net income (expenses) from financing and onlending include foreign exchange gains and losses that were allocated from "other operating income" in the amount of (i) R$22.2 million in 2008, changing our net income (expenses) from financing and onlending from expense of R$242.8 million to income of R$220.6 million, (ii) R$70.1 million in 2009, changing our net income (expenses) from financing and onlending from expense of R$60.1 million to income of R$9.0 million, (iii) R$66.2 million for the nine-month period ended September 30, 2009, changing

our net income (expenses) from financing and onlending from expense of R$49.4 million to income of R$16.8 million, and (iv) R$14.4 million for the nine-month period ended September 30, 2010, changing our net income (expenses) from financing and on lending from expense of R$51.2 million to an income of R$36.8 million.

Changes in interest income and expenses – Volume and rates analysis

The table below sets forth the effect of changes in our interest income and expenses resulting from fluctuations in the average volumes and average yield rate for each of the periods indicated. Variations in our volumes and interest rates were calculated based on changes on our average balances during the period and changes on the average interest rates on our interest-earning assets and interest-bearing liabilities. We allocated the net change from the combined effects of volume and rate proportionately to the average volume and rate, in absolute terms, without considering positive or negative effects.

	For the years ended December 31,						For the nine-month periods ended September 30,		
	2007 and 2008			2008 and 2009			2009 and 2010		
	Increase / decrease due to variations in			Increase / decrease due to variations in			Increase / decrease due to variations in		
	Average Volume	Average Rate	Net Variation	Average Volume	Average Rate	Net Variation	Average Volume	Average Rate	Net Variation
	(R$ millions)								
Interest earning assets									
Loan portfolio	466.2	(9.9)	456.3	(155.0)	(127.9)	(282.9)	150.5	(43.8)	106.7
Foreign exchange portfolio	28.2	49.2	77.4	(26.2)	(40.5)	(66.7)	2.2	(3.6)	(1.4)
Interbank investments	15.3	7.6	22.9	60.2	(33.0)	27.2	(61.9)	46.0	(15.9)
Securities and derivatives	2.1	292.9	295.0	32.9	(490.4)	(457.5)	(9.2)	229.1	219.9
Total	**511.8**	**339.8**	**851.6**	**(88.1)**	**(691.8)**	**(779.9)**	**81.6**	**227.7**	**309.3**

	For the years ended December 31,						For the nine-month periods ended September 30,		
	2007 and 2008			2008 and 2009			2009 and 2010		
	Increase / decrease due to variations in			Increase / decrease due to variations in			Increase / decrease due to variations in		
	Average Volume	Average Rate	Net Variation	Average Volume	Average Rate	Net Variation	Average Volume	Average Rate	Net Variation
	(R$ millions)								
Interest-bearing liabilities									
Funding transactions									
Interbank deposits	(27.3)	(3.3)	(30.6)	7.0	7.2	14.2	16.5	4.0	20.5
Time deposits	(72.8)	(13.1)	(85.9)	41.2	43.3	84.5	(64.2)	7.3	(56.9)
Money market funding	(16.1)	(2.7)	(18.8)	9.2	10.6	19.8	8.0	1.5	9.5
Funds from acceptance and issuance of securities	6.6	(339.0)	(332.4)	(84.4)	552.3	467.9	(2.6)	(189.0)	(191.6)
Total funding operations	(109.6)	(358.1)	(467.7)	(27.0)	613.4	586.4	(42.3)	(176.2)	(218.5)
Total borrowings and onlendings	(124.9)	(72.1)	(197.0)	(32.0)	261.6	229.6	4.2	(57.8)	(53.6)
Total interest-bearing liabilities	**(234.5)**	**(430.2)**	**(664.7)**	**(59.0)**	**875.0**	**816.0**	**(38.1)**	**(234.0)**	**(272.1)**

Net interest margin and net income margin

The table below sets forth the average balances of our total assets, interest-earning assets, interest-bearing liabilities, and average shareholders' equity, as well as certain related ratios, for the periods indicated.

	For the year ended December 31,			For the nine-month period ended September 30,	
	2007	2008	2009	2009	2010
	(R$ millions, except as otherwise indicated)				
Average balance of total assets	4,435.7	7,088.3	6,359.6	6,310.2	7,376.6
Average balance of interest-earning assets[1]	3,643.4	5,704.2	5,717.5	5,685.6	5,982.5

	For the year ended December 31,			For the nine-month period ended September 30,	
	2007	2008	2009	2009	2010
Average balance of interest-bearing liabilities[2]	2,471.6	3,977.1	3,774.2	3,754.9	4,541.5
Average balance of shareholders' equity	994.8	1,592.2	1,640.3	1,633.7	1,704.6
Net margin[3]	11.7%	10.0%	11.7%	11.9%	10.8%
Exceed of interest-earning assets over interest-bearing liabilities[4]	1,171.8	1,727.1	1,943.3	1,930.7	1,441.0
Return on average balance of interest-earning assets[5]	5.7%	3.5%	3.7%	2.3%	3.4%
Average income on interest-bearing assets[6]	21.3%	28.9%	14.0%	9.7%	15.3%
Average expenses on interest-bearing liabilities[7]	13.1%	25.3%	10.2%	8.1%	8.8%
Return on average balance of shareholders' equity[8]	20.7%	12.6%	12.9%	10.6%	16.3%
Efficiency index[9]	23.1%	33.0%	22.5%	22.5%	23.5%

(1) Represents assets that generate income from financial operations.

(2) Represents liabilities that generate expenses from financial operations.

(3) Consists of gross profit from financial intermediation before allowances for loan losses as a percentage of the average balance of interest-earning assets. See "Management's Discussion and Analysis of financial condition and results of operation— Critical Accounting Policies—Loans and Allowance for Loan Losses" for a discussion of the allowance for loan losses.

(4) Consists of the average balance of interest-earning assets less the average balance of interest-bearing liabilities.

(5) Consists of net income as a percentage of the average balance of interest-earning assets.

(6) Consists of income from financial intermediation as a percentage of the average balance of interest-earning assets.

(7) Represents expenses on financial intermediation excluding the effects of the allowance for loan losses, as a percentage of the average balance of interest-bearing liabilities.

(8) Consists of net income (annualised) as a percentage of the average balance of shareholders' equity.

(9) Efficiency index is calculated by dividing (a) the sum of (i) personnel expenses and (ii) other administrative expenses, excluding depreciation and amortisation by (b) the sum of income from services provided and gross profit from financial intermediation (adjusted by the "Foreign exchange variation" effects originally recognised in "Other operating income" in the amounts of R$68.5 million in 2007, R$61.0 million in 2008, R$326.6 million in 2009, R$308.1 million for the nine-month period ended September 30, 2009 and R$75.2 million for the nine-month period ended September 30, 2010), excluding the effects of the provision for loan losses. Efficiency index is not calculated using a standard methodology and may not be comparable to the definition of efficiency index or similarly titled measures used by other companies. Efficiency index is not a measure calculated in accordance with Brazilian GAAP or IFRS. We believe that the efficiency index provides a better understanding of our operational performance.

Return on shareholders' equity and assets

The table below sets forth selected financial ratios for the periods indicated.

	For the year ended December 31,			For the nine-month period ended September 30,	
	2007	2008	2009	2009	2010
	(R$ millions, except as otherwise indicated)				
Net income	206.0	200.2	211.1	128.6	203.8
Average balance of total assets	4,435.7	7,088.3	6,359.6	6,310.2	7,376.6
Average balance of shareholders' equity	994.8	1,592.2	1,640.3	1,633.7	1,704.6
Return on average assets [1]	4.6%	2.8%	3.3%	2.7%	3.7%
Return on average shareholders' equity[2]	20.7%	12.6%	12.9%	10.6%	16.3%
Percentage of average shareholders' equity on average balance of total assets	22.4%	22.5%	25.8%	25.9%	23.1%
Distribution of Dividends					
Total dividends distributed [3]	57.1	93.4	94.6	73.6	168.2
Total dividends as percentage of net income	27.7%	46.7%	44.8%	57.2%	82.5%

(1) Consists of net income (annualised) as a percentage of the average balance of total assets.

(2) Consists of net income (annualised) as a percentage of the average balance of total shareholders' equity.

(3) Total distribution of dividends and interest on shareholders' equity.

Composition of our securities and derivatives portfolio

The tables below set forth the detailed breakdown of the composition of securities and derivatives portfolio by account, maturity and type for each of the periods indicated. For a description on the accounting practices that are applicable to our securities portfolio, see notes to our financial statements included elsewhere in this offering memorandum.

Breakdown by Maturity

Securities available for sale	**As of September 30, 2010**				
	Indeterminate Maturity	**Up to 3 months**	**3 to 12 months**	**Over 12 months**	**Total**
			(R$ millions)		
Brazilian government securities...	—	—	15.1	739.4	754.5
Foreign securities.........................	—	—	1.6	93.5	95.1
Corporate debt securities	—	41.8	41.7	66.2	149.7
Public held companies shares	3.5	—	—	—	3.5
Investment fund shares	100.1	—	—	—	100.1
Total..	**103.6**	**41.8**	**58.4**	**899.1**	**1,102.9**

Breakdown by type of security

Securities available for sale	**As of December 31,**			**As of September 30,**
	2007	**2008**	**2009**	**2010**
		(R$ millions)		
Own portfolio				
Letras do Tesouro Nacional – LTN (Brazilian government securities)	97.6	176.3	53.4	71.1
Letras Financeiras do Tesouro – LFT (Brazilian government securities)	61.3	21.8	117.4	183.5
Notas do Tesouro Nacional – NTN (Brazilian government securities)......................................	23.6	4.0	99.0	145.7
Foreign fixed-income securities........................	18.3	26.7	55.1	95.0
Certificados de Depósitos Bancários – CDB (Bank Certificate of Deposit)............................	4.0	5.3	158.8	135.5
Recibos de Depósitos Bancários – RDB (Bank Depositary Receipts)...	—	—	—	4.0
Debentures..	—	—	41.0	10.3
Investment fund shares	7.5	7.8	17.0	100.1
Shares of publicly traded companies.................	4.0	1.5	4.4	3.5
Total...	**216.3**	**243.4**	**546.1**	**748.7**
Linked to repurchase commitments				
Letras do Tesouro Nacional – LTN (Brazilian government securities)	273.9	159.5	134.9	67.4
Letras Financeiras do Tesouro – LFT (Brazilian government securities)	71.5	153.9	45.0	120.1
Notas do Tesouro Nacional – NTN (Brazilian government securities)......................................	93.5	134.0	66.7	102.7
Total...	**438.9**	**447.4**	**246.6**	**290.2**

Securities available for sale	As of December 31,			As of September 30,
	2007	2008	2009	2010
	(R$ millions)			
Linked to guarantees				
Letras do Tesouro Nacional – LTN (Brazilian government securities)	14.4	45.5	—	4.1
Letras Financeiras do Tesouro – LFT (Brazilian government securities)	58.4	54.6	32.4	39.2
Total	**72.8**	**100.1**	**32.4**	**43.3**
Securities guaranteeing technical provisions				
Letras Financeiras do Tesouro – LFT (Brazilian government securities)	—	3.1	6.1	20.7
Total	—	**3.1**	**6.1**	**20.7**
Total securities portfolio	**728.0**	**794.0**	**831.2**	**1,102.9**

Derivatives

	At and for the year ended December 31,						At and for the nine-month period ended September 30,	
	2007		2008		2009		2010	
	Asset (liability)	Trade amount	Asset (liability)	Trade amount	Asset (liability)	Trade amount	Asset (liability)	Trade amount
	(R$ millions)							
Assets								
Derivatives								
Swap transactions – differential receivable	20.9	165.7	169.1	559.6	22.9	355.3	21.9	216.4
Receivable from currency forward contract	0.9	16.4	3.6	22.4	—	0.2	0.4	7.2
Futures transactions pending settlement								
Dollar Futures	—	10.7	—	—	—	—	—	—
DDI (exchange coupon)	3.7	388.2	4.4	134.1	—	—	—	1.6
DI (interbank deposit rate)	0.2	659.9	0.5	205.1	—	72.8	—	183.3
Liabilities								
Derivatives								
Swap transactions – differential payable	2.2	182.3	19.6	191.9	25.2	436.8	48.4	940.0
Payable for currency forward contract	0.5	11.1	0.5	9.5	—	0.2	0.4	7.2
Futures transactions pending settlement								
Dollar Futures	1.2	176.5	0.5	15.3	—	25.9	0.6	74.0
DDI (exchange coupon)	—	—	15.0	471.4	—	1.6	—	—
DI (interbank deposit rate)	0.1	324.1	0.1	347.7	0.3	880.5	0.3	410.9
Total	**21.7**	**1,934.9**	**141.9**	**1,957.0**	**(2.6)**	**1,773.3**	**(27.4)**	**1,840.6**

Central Bank compulsory deposits

In compliance with the Central Bank's requirements, our balance of compulsory deposits, represented by compulsory payments and other types of compulsory deposits, amounted to R$2.9 million as of September 30, 2010. See "Regulation of the Brazilian banking industry—Regulations affecting liquidity in the financial market—Reserve requirements".

Loan portfolio

The tables below set forth our credit transactions portfolio by type of transaction for each of the periods indicated. Our total lending operations involve only borrowers resident in Brazil, denominated in *reais* and indexed to local interest rates.

	As of December 31,						As of September 30,	
	2007		2008		2009		2010	
	Total	%	Total	%	Total	%	Total	%
	(R$ millions, except as otherwise indicates)							
Loans	2,569.0	73.9%	2,507.5	67.7%	2,711.6	71.1%	3,886.6	74.9%
Discounted trade notes	287.4	8.3%	205.7	5.5%	171.2	4.5%	188.4	3.6%
Financings	438.0	12.6%	855.5	23.1%	789.7	20.7%	886.2	17.1%
Rural Financings	15.8	0.5%	8.3	0.2%	4.9	0.1%	18.2	0.4%
Total lending operations	**3,310.2**	**95.3%**	**3,577.0**	**96.5%**	**3,677.4**	**96.4%**	**4,979.4**	**96.0%**
Other notes and credits receivable	—	—	13.7	0.4%	19.9	0.5%	16.2	0.3%
Advances on foreign exchange contracts and imports backed by letters of credit	165.8	4.7%	112.6	3.0%	95.1	2.5%	190.0	3.7%
Other notes and credits receivable with credit extension characteristics	—	—	2.2	0.1%	22.5	0.6%	0.4	—
Total loan portfolio	**3,476.0**	**100.0%**	**3,705.5**	**100.0%**	**3,814.9**	**100.0%**	**5,186.0**	**100.0%**

Loan portfolio maturity

The table below sets forth the maturities of our loan portfolio at the date indicated:

Maturity Breakdown	As of September 30, 2010
Outstanding transactions with maturity	
3 months	1,802.6
3 months to 12 months	1,597.4
1 year to 3 years	1,283.5
3 years to 5 years	365.7
Over 5 years	41.4
Total outstanding transactions	**5,090.7**
Overdue transactions	
up to 60 days	40.4
61 to 180 days	35.9
181 to 360 days	18.6
over 361 days	0.4
Total overdue transactions	**95.3**
Total	5,186.0

According to Resolution No. 2,682, of December 21, 1999, overdue financial transactions are written off when overdue (i) for more than 360 days if their maturity terms is shorter than 36 months or (ii) for more than 720 days if their maturity exceeds 36 months.

Largest clients

The table below sets forth a summary of our largest clients at the dates presented.

	As of December 31,						As of September 30,	
	2007		2008		2009		2010	
	Valor	% Total	Valor	% Total	Valor	% Total	Valor	% Total
	(R$ millions, except as otherwise indicated)							
10 largest clients......................	254.3	7.3%	233.9	6.3%	310.4	8.2%	674.3	13.0%
11-50 largest clients	560.4	16.1%	540.2	14.6%	565.3	14.8%	694.3	13.4%
51-160 largest clients	566.4	16.3%	511.8	13.8%	511.2	13.4%	630.1	12.2%
Other loans..............................	2,094.9	60.3%	2,419.6	65.3%	2,428.0	63.6%	3,187.3	61.4%
Total loan portfolio	**3,476.0**	**100.0%**	**3,705.5**	**100.0%**	**3,814.9**	**100.0%**	**5,186.0**	**100.0%**

Credit approval process

For a description of our credit approval process, see "Business—Credit Policy, Risk Management and Default Rates".

Rating of our loan portfolio

The table below sets forth the rating of our credit transactions by risk levels, as of September 30, 2010, where "AA" represents minimum credit risk and category "H" represents an extremely high credit risk, according to the applicable regulation issued by the Central Bank. It also sets forth the balance of our allowance for loan losses as of September 30, 2010. See section "Management's Discussion and Analysis of Financial Condition and Results of Operation—Critical Accounting Practices—Allowance for Loan Losses".

	As of September 30, 2010			
			Allowance for loan losses	
Risk Level	Credits	% of Total	Minimum required by Central Bank	Effective
	(R$ millions, except as otherwise indicated)			
AA	172.5	3.3%	—	—
A	2,493.0	48.1%	12.5	12.5
B	2,119.3	40.9%	21.2	21.2
C	163.1	3.1%	4.9	4.9
D	75.4	1.5%	7.5	7.5
E	25.6	0.5%	7.7	7.7
F	17.9	0.3%	9.0	9.0
G	39.3	0.8%	27.5	27.5
H	79.9	1.5%	79.9	79.9
Total	**5,186.0**	**100.0%**	**170.2**	**170.2**

Overdue credits and allowances for loan losses

The table below sets forth a summary of our overdue credits (defined as credits under D to H levels), most of which overdue for more than 61 and less than 360 days, as well as certain indexes of assets quality, for each period:

	As of December 31,			As of September 30,
	2007	2008	2009	2010
	(R$ millions, except as otherwise indicated)			
Total assets	6,556.6	6,831.0	7,060.8	9,329.2
Total loan portfolio	3,476.0	3,705.5	3,814.9	5,186.0
Overdue credits	92.4	269.1	291.8	238.2
Overdue credits as a percentage of total loan portfolio	2.7%	7.3%	7.7%	4.6%
Overdue credits as a percentage of total assets	1.4%	3.9%	4.1%	2.6%
Allowance for loan losses	(77.8)	(191.5)	(213.2)	(170.1)
Allowance for loan losses as a percentage of:				
Total loan portfolio	2.2%	5.2%	5.6%	3.3%
Total overdue credits	84.2%	71.2%	73.1%	71.4%

Allowance for loan losses

The table below sets forth the track record of our allowance for loan losses for each of the periods indicated:

	For the year ended December 31,			For the nine-month period ended September 30,
	2007	2008	2009	2010
	(R$ millions, except as otherwise indicated)			
Balance at the beginning of the period	44.3	77.8	191.5	213.2
Establishment of provision [(1)]	64.1	181.8	241.5	119.4
Write-offs	(30.6)	(68.1)	(219.8)	(162.5)
Balance at the end of the period	**77.8**	**191.5**	**213.2**	**170.1**
Credits recovered	8.9	7.0	28.9	26.0
Write-off credits as a percentage of total loan portfolio	**0.9%**	**1.8%**	**5.8%**	**3.1%**
Allowance for loan losses as a percentage of loan portfolio	**2.2%**	**5.2%**	**5.6%**	**3.3%**

(1) The difference between the provision established and the provision declared in our financial statements results from the fact that losses foreclosed assets are recognised as losses under " allowance for loan losses ".

Funding

Average deposits balance and interest rates

The table below sets forth the average balance of deposits and the average interest rate on the deposits for the periods presented.

	As of December 31,						As of September 30,	
	2007		2008		2009		2010	
	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate	Average balance	Average interest rate
	(R$ millions, except as otherwise indicated)							
Demand deposits	123.5	—	123.7	—	80.7	—	167.5	—
Interbank deposits	116.2	10.7%	329.8	13.0%	270.9	10.6%	88.0	6.7%
Time deposits	1,449.4	11.6%	2,038.5	12.5%	1,675.5	10.1%	2,383.5	7.5%
Other deposits	0.3	—	0.4	—	1.3	—	1.9	—

Maturity of deposits

The table below sets forth the maturity of our outstanding deposits as of September 30, 2010:

	As of September 30, 2010
	(R$ millions)
No maturity	334.0
Up to 90 days	520.6
91 to 360 days	903.4
1 year to 3 years	921.2
3 years to 5 years	527.0
Over 5 years	41.7
Total	**3,247.9**

*Funds from acceptance and issuance of securities and bills (*letras financeiras*)*

Our funds from bills (*letras financeiras*) consist of notes denominated in Brazilian *reais* linked to CDI and our funds from acceptance and issuance of securities consist of indebtedness denominated in foreign currency in the form of fixed rate notes issued by us.

The table below set forth the maturity of these notes:

	As of September 30, 2010
	(R$ millions)
91 to 360 days	168.4
1 year to 3 years	1.0
3 years to 5 years	487.6
Total	**657.0**

Borrowings and onlendings

The table below set forth the maturity of our fund from borrowings and onlendings as of September 30, 2010:

	As of September 30, 2010
	(R$ millions)
Up to 90 days	281.0
91 to 360 days	342.3
1 year to 3 years	555.5
3 years to 5 years	80.4
Above 5 years	10.6
Total	**1,269.8**

BUSINESS OF BANCO DAYCOVAL S.A.

Overview

We are one of the leading banks specialising in providing loans to Brazilian middle market companies, which we define as companies with annual gross revenues between R$8.0 million and R$300.0 million. We also have a significant presence in the retail segment. Since the late 1980s, we have offered a wide range of credit products to middle market companies secured by collateral. At June 30, 2010, we were the 16th largest Brazilian private bank in terms of shareholders' equity and the 22nd largest Brazilian private bank in terms of volume of assets, according to the Central Bank. As of September 30, 2010, we had assets of R$9,329.2 million, shareholders' equity of R$1,735.6 million and a loan portfolio of R$5,186.0 million, 64.2% of which consisted of loans made to middle market companies. As of December 31, 2009, we had assets of R$7,060.8 million, shareholders' equity of R$1,692.7 million and a loan portfolio of R$3,814.9 million, 58.5% of which consisted of loans made to middle market companies.

For the nine-month period ended September 30, 2010, our annualised return on average shareholders' equity was approximately 16.3%, compared to 10.6% for the nine-month period ended September 30, 2009. For the nine-month period ended September 30, 2010, our annualised return on average assets was approximately 3.7%, compared to 2.7% for the nine-month period ended September 30, 2009. For the year ended December 31, 2009, our return on average shareholders' equity was approximately 12.9%, compared to 12.6% and 20.7% for the years ended December 31, 2008 and 2007, respectively. For the year ended December 31, 2009, our return on average assets was approximately 3.3%, compared to 2.8% and 4.6% for the years ended December 31, 2008 and 2007, respectively. Our return on average shareholders' equity and return on average assets were affected in 2008 and 2009 by the effects of the global financial crisis and the consequential deterioration in the Brazilian economic environment.

We operate through 29 branches located in 25 cities across 18 Brazilian states and the Federal District (Brasília). We had approximately 3,531 active middle market clients as of September 30, 2010 and our portfolio of middle market loans and trade finance loans at such date was R$3,327.3 million. We believe that a significant potential client base of Brazilian small- and medium-sized companies exists, which will allow us to continue to expand our activities in the middle market segment.

In 2004, we started operations in the individual lending market by offering payroll deduction loans under the DayCred brand. As of September 30, 2010, our portfolio of such loans was R$1,352.5 million, which we originated through a wide distribution network consisting of around 694 banking correspondents. We also began to offer vehicle financing in 2006. As of September 30, 2010, our portfolio of auto loans was R$470.9 million, which we originated through a wide distribution network consisting of approximately 70 banking correspondents. Our portfolio of loans to individuals also includes other products, such as the financing of purchases by consumers of goods and services through retailers or service-providers participating in our direct consumer credits programme ("direct consumer credits") which, as of September 30, 2010, amounted to R$35.3 million. As of September 30, 2010 our aggregate portfolio of loans to individuals represented 35.8% of our total loan portfolio.

We seek to diversify our sources of funding to avoid mismatches between the respective interest rates and maturities of our funding and the loans that we grant, and to obtain liquidity to allow us to take advantage of growth opportunities. Our time deposits are our primary source of funding and amounted to R$2,885.5 million as of September 30, 2010, representing 56.9% of our total funding compared to R$2,122.5 million, or 44.0% of our total funding as of December 31, 2009. As of September 30, 2010, this source of funding had an average cost of approximately 105.9% of the CDI, and an average term of 479 days, compared to 106.0% of the CDI and an average term of 699 days as of December 31, 2009. For further discussion of our time deposits, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding—Time deposits". Our sources of funding also include debt issued in the international capital markets, with coupons varying from 6.50% to

7.25% per annum. The aggregate outstanding balance of such debt was R$656.0 million as of September 30, 2010, representing 9.5% of our total funding, compared to R$373.5, or 7.7% of our total funding as of December 31, 2009. Our funding denominated in U.S. dollars represented 27.9% of our total funding as of September 30, 2010, compared to 25.9% of our total funding as of December 31, 2009, and includes the balance of borrowings and onlendings denominated in U.S. dollars in addition to debt issued in the international capital markets.

We believe that the quality of our services, our credibility and our solid reputation are recognised in the Brazilian financial market, as evidenced by our being named as the best middle market bank by Gazeta Mercantil/Austin Ratings in 2006, 2007 and 2008 and by FGV/Conjuntura Econômica magazine in 2006 and 2007. We have some of the highest long-term local ratings among Brazilian medium-sized banks: "A+" from Fitch and "AA-" from Standard & Poor's.

The following tables highlight certain of our financial information for the periods indicated:

	As of September 30,		
	2009	2010	2010
	(R$ millions, except percentages)		(U.S.$ millions, except percentages)(1)
Total assets	6,177.4	9,329.2	5,520.2
Shareholders' equity	1,646.3	1,735.6	1,027.0
Loan portfolio	3,493.0	5,186.0	3,068.6
Deposits	2,331.4	3,247.9	1,921.8
Funds from acceptance and issuance of securities	589.5	657.0	388.8
Basel index(2)	29.3%	21.2%	21.2%
Cash, interbank investments and securities and derivatives	2,503.8	3,671.2	2,172.3
Provision for loan losses as a percentage of total loan portfolio	7.7%	3.3%	3.3%

	As of December 31,			
	2007	2008	2009	2009
	(R$ millions, except percentages)			(U.S.$ millions, except percentages)(1)
Total assets	6,556.6	6,831.0	7,060.8	4,178.0
Shareholders' equity	1,517.5	1,607.2	1,692.7	1,001.6
Loan portfolio	3,476.0	3,705.5	3,814.9	2,257.3
Deposits	2,331.9	1,757.0	2,381.8	1,409.3
Funds from acceptance and issuance of securities	214.6	785.5	373.5	221.0
Basel index(2)	35.8%	28.2%	28.6%	28.6%
Cash, interbank investments and securities and derivatives	2,793.8	2,813.8	3,028.5	1,792.0
Provision for loan losses as a percentage of total loan portfolio	2.2%	5.2%	5.6%	5.6%

	For the nine-month period ended September 30,		
	2009	2010	2010
	(R$ millions, except percentages)		(U.S.$ millions, except percentages)[1]
Net income	128.6	203.8	120.6
Return on average shareholders' equity[3]	10.6%	16.3%	16.3%
Return on average assets[4]	2.7%	3.7%	3.7%
Efficiency index[5]	22.5%	23.5%	23.5%

	For the year ended December 31,			
	2007	2008	2009	2009
	(R$ millions, except percentages)			(U.S.$ millions, except percentages)[1]
Net income	206.0	200.2	211.1	124.9
Return on average shareholders' equity[3]	20.7%	12.6%	12.9%	12.9%
Return on average assets[4]	4.6%	2.8%	3.3%	3.3%
Efficiency index[5]	23.1%	33.0%	22.5%	22.5%

Notes:

(1) Translated into U.S.$ solely for the convenience of the reader. The rate used to translate such amounts was R$1.69 to U.S.$1.00 (subject to rounding adjustments), which was the selling exchange rate in effect as of September 30, 2010, as reported by the Central Bank. The U.S. dollar equivalent information presented in these Listing Particulars is provided solely for the convenience of investors and should not be construed as implying that the amounts in *real* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) Basel index corresponds to 11% of our reference shareholders' equity divided by the minimum amount of capital we are required to maintain pursuant to the regulations of the Central Bank.

(3) Net income (annualised) as a percentage of average shareholders' equity.

(4) Net income (annualised) as a percentage of average total assets.

(5) Efficiency index is calculated by dividing (a) the sum of (i) personnel expenses and (ii) other administrative expenses, excluding depreciation and amortisation by (b) the sum of income from services provided and gross profit from financial intermediation (adjusted by the "Foreign exchange variation" effects originally recognised in "Other operating income" in the amounts of R$68.5 million in 2007, R$61.0 million in 2008, R$326.6 million in 2009, R$308.1 million for the nine-month period ended September 30, 2009 and R$75.2 million for the nine-month period ended September 30, 2010), excluding the effects of the provision for loan losses. Efficiency index is not calculated using a standard methodology and may not be comparable to the definition of efficiency index or similarly titled measures used by other companies. Efficiency index is not a measure calculated in accordance with Brazilian GAAP or IFRS. We believe that the efficiency index provides a better understanding of our operational performance.

Our Strengths

We believe that our position as one of the leading medium-sized Brazilian banks is a result of the following strengths:

Significant and Solid Operations in the Middle Market Lending Segment

We have operated in the Brazilian middle market lending segment since 1989. This segment has experienced significant growth in recent years as a result of the low level of indebtedness of small- and medium-sized Brazilian companies and a more stable economic environment in Brazil. We have developed solid and close relationships with our clients by offering high-quality services and a broad range of credit products that are tailor-made to their particular needs and adjusted to reflect the specific requirements of the middle market segment. We believe that our network of branches and other distribution channels, together with our team of specialised sales managers, allow us to efficiently respond to our clients' needs, including by rapidly approving loans without compromising our conservative risk policies. We believe that these features represent a significant competitive advantage in relation to other banks that do not specialise in the middle market lending segment and place us in a favourable position to benefit from future growth of this segment in Brazil.

Conservative and Solid Financial Position

Our activities are based on the maintenance of a solid financial position and the adoption of conservative credit and investment policies. We seek to maintain our liquidity by investing at least 30.0% of our deposits in cash and cash equivalents. To minimise liquidity risks, we also seek to avoid mismatches between our credit portfolio and our sources of funds by diversifying and extending the maturity of our funding. As of September 30, 2010, our funding was composed of (i) time deposits, demand deposits, interbank deposits and other deposits, (ii) money market funding, (iii) borrowings and onlendings, and (iv) funds from acceptance and issuance of securities, which represented 47.1%, 25.0%, 18.4% and 9.5% of our total funding, respectively. Our Basel index as of September 30, 2010 was 21.2%, which was significantly higher than the 11.0% rate required by the Central Bank and higher than the average Basel index of the banks listed on the São Paulo Stock Exchange (the "BM&FBOVESPA"). Our financial strength is confirmed by our long-term local ratings, which are among the best of same-sized Brazilian banks operating in the same segments as us: "A+" from Fitch and "AA-" from Standard & Poor's.

Quality of Loan Portfolio

We believe that the quality of our loan portfolio and the low level of loan defaults that we have experienced are principally a result of our ability to select clients with an acceptable risk profile and to closely monitor the collateral that they grant us with respect to the loans that we provide them. As of September 30, 2010 and 2009, the percentage of our loan portfolio represented by AA to C credits, according to the risk classification system established by the Central Bank, was 95.4% and 89.0%, respectively. As of December 31, 2009, 92.3% of our loan portfolio was classified as AA to C compared to 92.7% and 97.3%, as of December 31, 2008 and 2007, respectively. In addition, our provision for loan losses represented 3.3% of our total loan portfolio as of September 30, 2010, compared to 5.6%, 5.2% and 2.2% as of December 31, 2009, 2008 and 2007, respectively. In order to mitigate the risks that could result from a concentrated client base, our credit policy establishes limits on the percentages that each industry or client may represent in our total loan portfolio. As of September 30, 2010 and 2009, our ten largest clients represented 13.0% and 8.7% of our total loan portfolio. As of December 31, 2009, our ten largest clients represented 8.1% of our total loan portfolio, compared to 6.3% and 7.3% as of December 31, 2008 and 2007, respectively.

In addition, the nature of the segments in which we operate contributes to the quality of our loan portfolio. Most of our middle market loans are guaranteed by what we believe to be high-quality collateral. In addition, we believe that our payroll deduction loans have a reduced risk profile compared to other credit products since the installments on such loans are directly deducted from the payroll of the public or private sector employees or the pension paid to beneficiaries and retirees of the INSS, as the case may be, who are the borrowers under such loans. We also have strict internal credit analysis rules in relation to the auto loans that we grant.

Growth Potential with Low Marginal Costs

We believe that the segments in which we operate are among those with the greatest potential for growth in the Brazilian credit industry. We believe that we have the capacity to grow our operations with low marginal costs due to the combination of the following factors:

- our brand is strongly recognised, partially as a result of the awards we have received (such as the best middle market bank according to Gazeta Mercantil/Austin Ratings in 2006, 2007 and 2008 and by FGV/Conjuntura Econômica magazine in 2006 and 2007), which we believe helps us to attract new clients without significant marketing initiatives and enhances our credibility in the market;

- we have a state-of-the-art technology platform with differentiated proprietary systems to evaluate and monitor loans and the capacity to support a significant increase in our client base;

- our database contains historical information on over 750,000 companies and individuals, including current and potential clients, which allows us to rapidly and safely evaluate their credit risk and the quality of the collateral they are able to provide;

- we have expertise in the development of efficient distribution channels for our products, which we believe will allow us to further expand the market share of our products and the range of products that we offer at reduced marginal costs; and

- our headquarters, situated on Avenida Paulista, one of the main financial centers in the city of São Paulo and in Latin America, will allow us to accommodate future personnel increases without additional investments in real estate.

Agility and Efficiency in Developing New Products

We believe that our solid and flexible operating structure, together with the expertise of our management team, have allowed us to develop new products and to quickly explore market opportunities at low costs and in compliance with our stringent return and risk exposure criteria. For example, in 2004 we identified the substantial growth potential of the individual lending segment and started to offer payroll deduction loans. We rapidly implemented an efficient operating structure for offering such loans which, as of September 30, 2010, consisted of approximately 313,000 agreements entered into with public sector entities and a distribution network consisting of around 694 banking correspondents. In 2010, in accordance with our strategy of diversifying products, we opened two foreign exchange bureaus in São Paulo through which we work with partners such as travel agencies, brokers and other financial institutions to offer customers a range of options for a fast and secure service when buying or selling foreign currency. In addition, we have recently expanded our portfolio of direct consumer credits. We believe both products present growth potential in Brazil.

Experienced Management Committed to High Standards of Corporate Governance

Our senior executives have substantial experience in the Brazilian financial markets and are fully committed to our interests and goals. Our chief executive officer and each of our other senior executives have more than 40 years and 15 years, respectively, of experience in the Brazilian banking industry and extensive knowledge of our business. We believe that our management is capable of identifying potential growth opportunities that arise in the market and establishing competitive strategies that increase our profitability while reducing our costs and the risks in our portfolio. Our administrative structure is based on the strict definition of activities for each of our areas of operation, which enhances our efficient decision-making process. We seek to stimulate and retain our employees by offering attractive compensation plans which have contributed to our low employee turnover. We have also implemented high standards of corporate governance, such as the creation of a board of directors that includes two independent directors with experience in the financial markets.

Our Strategy

We seek to continue to grow on a sustainable and consistent basis and to create value for our shareholders through the following strategies:

Continue to Focus on the Middle Market Segment

Our main strategy will be to continue to focus on lending operations in the Brazilian middle market lending segment. We believe that there are numerous potential middle market clients in the regions in which we operate, and we intend to take advantage of the growth opportunities of this segment by:

- increasing our selected customer base while continuing to apply our credit and collateral quality criteria;
- growing and diversifying our distribution structure through the increase of our sales team and the opening of new branches in attractive locations, including the state of São Paulo (where we opened one new branch in December 2010 and have obtained Central Bank authorisation for a further two branches which we plan to open in the first quarter of 2011) and the states of the mid-west and northeast of Brazil; and
- retaining clients by offering a broad product portfolio that better serves their needs and differs us from our competitors, as well as through the development of new products, longer-term loans and foreign trade financing. In this respect, we opened our branch in the Cayman Islands to improve our product portfolio and support the increasing volume of our foreign trade transactions.

Continue to Take Advantage of Opportunities in the Individual Lending Segment

We intend to improve our market share in the individual lending segment by taking advantage of our experience in the lending market and our existing operating structure, as well as by offering new products that we deem attractive, by:

- increasing the volume of our payroll deduction loans through (i) the execution of new agreements with public entities, primarily federal agencies and smaller municipalities, (ii) the use of exclusive and innovative information technology tools to reach to new clients, and (iii) the strengthening of our relationships with banking correspondents through "loyalty" programs such as incentive and training initiatives;
- continuing to offer vehicle financing products through national coverage and a focus on higher value-added products such as financing small and heavy vehicles; and
- using our existing distribution channels to develop and offer new products, such as direct consumer credits, in order to realise economies of scale and reduce our marginal costs.

In addition, we may also include the following in our product mix to extend its retail offering:

- consumer finance – receivables-based credit for retailers secured by post-dated checks;
- credit cards – corporate cards in association with Mastercard; and
- payroll mortgage – long repayment period and conditional sale via trust deed as loan security.

Diversify our Sources of Funding

On January 21, 2008, we were authorised by the Central Bank to open our Cayman Islands Branch, with U.S.$3.0 million in separate capital. The purpose of our Cayman Islands Branch is to give us access to additional funding sources that will support our efforts to lengthen the average duration of our funding instruments and cut funding costs. Operationally, our Cayman Islands Branch focuses on growing our trade finance portfolio, enabling us to build a broader customer base, create new products and continue to diversify our international business.

Since December 31, 2006, we have made three issues of Eurobonds under our U.S.$1,000,000,000 Euro Medium-Term Note Programme, totalling U.S.$525 million in principal amount. In addition, during the first quarter of 2009, we concluded an agreement with Cartesian Capital Group, Wolfensohn Capital Partners, International Finance Corporation and our controlling shareholders (the "Pioneer Investors") pursuant to which the Pioneer Investors subscribed R$410.0 million of our bank deposit certificates (*Certificados de Depósitos Bancários*) (the "Pioneer CDBs") in a private placement. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants which may be converted into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. The warrants may be converted into up to a maximum of 18,451,613 ordinary shares and 50,322,580 preferred shares.

Maintain our Solid Financial Base

We strive to maintain the high quality of our assets by applying our conservative credit and risk management policies, which we believe have been critical for maintaining relatively low default levels of our clients in recent years. In addition, we believe that our high liquidity level has also allowed us take advantage of growth opportunities. We will continue to seek to maintain adequate liquidity levels that are compatible with market standards and that provide us with long-term financial stability.

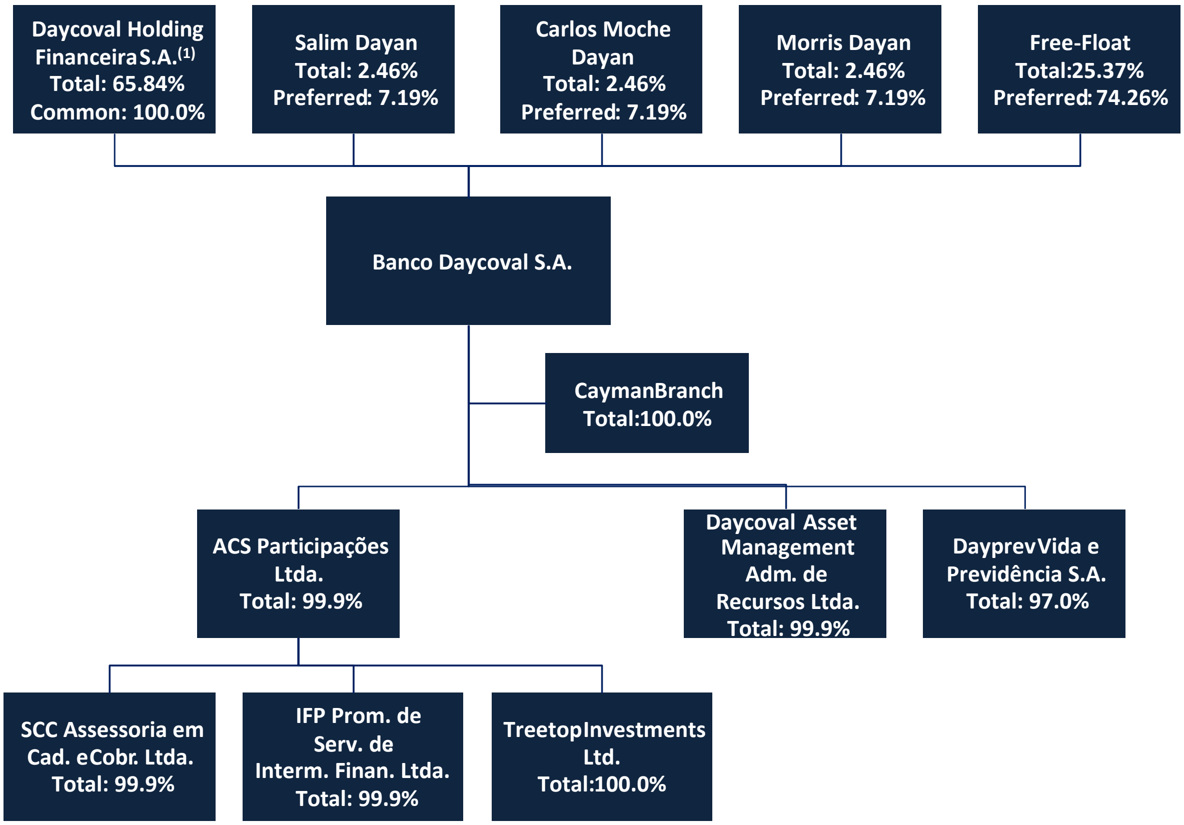
History

We were originally incorporated August 5, 1968 as Daycoval Distribuidora de Títulos e Valores Mobiliários Ltda. In 1989, our name was changed to Banco Daycoval S.A. after we were authorised to operate as a multiple-service bank by the Central Bank. Since then, we have offered financing for middle market companies. In 1994, we were authorised by the Central Bank to operate commercial portfolios and in 1995, to conduct foreign exchange transactions to support our middle market lending operations.

In March 2007, we created Dayprev Vida e Previdência S.A. ("Dayprev") to operate in the insurance business.

Also in March 2007, we and our shareholders completed a corporate restructuring that resulted in the creation of Daycoval Holding Financeira S.A., which holds 65.84% of our capital stock and is controlled by the Dayan family. On June 29, 2007, we completed an initial public offering (the "IPO") and raised approximately R$1,000 million in capital.

The following chart indicates our corporate structure as of September 30, 2010:



Note:

(1) Daycoval Holding Financeira S.A. is controlled by the Dayan family.

Our executive offices are located at Avenida Paulista, 1793, in the City of São Paulo, in the State of São Paulo, CEP 01311-200, Brazil. Our investor relations telephone number is +55 (11) 3138-1024. We are registered with the State of São Paulo Commercial Registry under NIRE (*Número de Identificação de Registro de Empresas*) 35300524110.

The Cayman Islands Branch

The Cayman Islands Branch is registered as a foreign company under Part IX of the Companies Law (as amended) of the Cayman Islands. On May 12, 2008 the Cayman Islands Branch was granted a Category "B" banking licence by the Cayman Islands Monetary Authority to operate in the Cayman Islands under the Banks and Trust Companies Law (as amended) of the Cayman Islands, which allows the Cayman Islands Branch to conduct all types of banking business in any part of the world, but does not allow the Cayman Islands Branch to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, inter alia, exempted or ordinary resident companies and other licensees.

The registered office of the Cayman Islands Branch is P.O. Box 1034, Harbour Place, 4th Floor, 103 South Church Street, Grand Cayman, KY1-1102, Cayman Islands and the telephone number is +1 345 814 1574.

Principal Products

Our principal activity is providing loans to Brazilian companies in the middle market segment, which we define as companies with annual gross revenues between R$8.0 million and R$300.0 million. We offer these companies credit products such as working capital loans, foreign trade financing, bank guarantees and the factoring of receivables, in each case secured by collateral provided by the borrower. We also offer credit products to individuals including payroll deduction loans, vehicle financing and direct consumer credit. In addition, we provide (directly or through our subsidiaries) services that are complementary to our credit products, such as asset management and receivables collection.

The table below shows the breakdown of our loan portfolio by clients:

	As of September 30,			
	2009		2010	
	Amount (R$ millions)	% of total loan portfolio	Amount (R$ millions)	% of total loan portfolio
10 largest clients	302.1	8.7%	674.3	13.0%
11th to 50th largest clients	479.7	13.7%	694.3	13.4%
51st to 160th largest clients	455.4	13.0%	630.1	12.2%
Other loans	2,255.8	64.6%	3,187.3	61.5%
Total loan portfolio	**3,493.0**	**100.0%**	**5,186.0**	**100.0%**

	As of December 31,					
	2007		2008		2009	
	Amount (R$ millions)	% of total loan portfolio	Amount (R$ millions)	% of total loan portfolio	Amount (R$ millions)	% of total loan portfolio
10 largest clients	254.4	7.3%	233.9	6.3%	310.4	8.1%
11th to 50th largest clients	560.4	16.1%	540.3	14.6%	565.3	14.8%
51st to 160th largest clients	566.3	16.3%	511.8	13.8%	511.2	13.4%
Other loans	2,094.9	60.3%	2,419.5	65.3%	2,428.0	63.7%
Total loan portfolio	**3,476.0**	**100.0%**	**3,705.5**	**100.0%**	**3,814.9**	**100.0%**

Middle market lending

As of September 30, 2010, our total credit portfolio to middle market companies (excluding bank guarantees and receivables purchased) was R$3,327.3 million and our client base included companies from more than 30 different sectors in the Brazilian economy. As of December 31, 2009, 2008 and 2007, our total credit portfolio to middle market companies (excluding bank guarantees and receivables purchased) was R$2,194.0 million, R$2,034.0 million and R$2,256.1 million, respectively. As of September 30, 2010, our largest client accounted for less than 3.7% of our total loan portfolio and we had 3,531 active middle market clients. The principal types of collateral that we take are trade bills, receivables, real estate, vehicles, checks and pledges.

The table below shows the breakdown of our credit portfolio to middle market portfolio by sector:

	As of September 30, 2010
	(% of loan portfolio)
Industry	43
Services	32
Commerce	18
Other	7
Total	**100**

The aggregate amount of our credit portfolio to middle market companies together with bank gurantees and receivables purchased was R$3,626.6 million as of September 30, 2010.

Working Capital. Working capital loans are provided in local and foreign currency and generally have short- or medium-term maturities. Our broad range of working capital loans is designed to meet the specific needs of each of our customers and includes bank credit certificates, loan agreements, secured revolving credit accounts and "compror" and "vendor" loans. The "vendor" loan consists of financing under which a company can sell its products on credit while receiving payment in cash. The main advantage of this type of financing is that the sale is financed by the bank, not the seller. Under this type of financing, the buyer is the main obligor of the loan and the seller remains liable for the buyer's default on loan payments. Under the "compror" loans, the bank finances the buyer's acquisition of the goods and seller is not liable for any payments due under the loan. As of September 30, 2010, our working capital loans amounted to R$2,561.4 million, or 70.6% of the aggregate amount of our middle market loan portfolio, bank guarantees and receivables purchased.

Factoring of Receivables. Another receivable-based product that we offer is the factoring of receivables. We advance funds to our clients by acquiring their receivables at a discount. This discount varies depending on various factors, including the maturity dates and the credit quality of the receivables. As of September 30, 2010, our factoring of receivables operations totaled R$187.1 million, or 5.2% of the aggregate amount of our middle market loan portfolio, bank guarantees and receivables purchased.

Foreign trade financing. Our foreign trade financing consists mainly of advances on foreign exchange contracts (ACC), advances on exchange delivered (ACE) and export prepayment transactions. Under the ACC and ACE agreements, we advance funds in *reais* to the exporter before the goods are shipped. After we receive the shipment documents, we forward them abroad to the importer of the goods against payment in foreign currency. If the importer defaults on any payments due under the exports transaction, we have recourse against the exporter for the full amount of the credit granted. In export prepayment transactions, we offer collateral to foreign banks that advance funds directly to Brazilian exporters on behalf of the importer. The average term of our foreign trade financing is 220 days. As of September 30, 2010, we had R$292.2 million in outstanding foreign trade financing, or 8.1% of the aggregate amount of our middle market loan portfolio, bank guarantees and receivables purchased.

Other Middle Market Lending Products. We also offer other products to meet our clients' specific needs. These include onlending of BNDES funds, a service which we offer to our small and medium-sized clients. Onlending of BNDES funds and other products accounted for R$286.6 million as of September 30, 2010, or 7.9% of the aggregate amount of our middle market loan portfolio, bank guarantees and receivable purchased.

Bank Guarantees. Under our bank guarantees, we guarantee our clients' cash obligations to third parties. These guarantees consist mainly of financial guarantees for payments due under debt instruments issued by our clients (*aval*) or for other general personal obligations (*fiança*). As of September 30, 2010, the outstanding amount of the guarantees we provided was R$170.1 million, equivalent to 4.7% of the aggregate amount of our middle market loan, bank guarantees and receivables purchased.

Receivables purchased. We purchase a portion of certain of our clients' receivables without recourse. As of September 30, 2010, the outstanding amount of such receivables purchased was R$129.2 million, equivalent to 3.6% of the aggregate amount of our middle market loan portfolio, bank guarantees and receivables purchased.

Individual lending

In 2004, we started our operations in the individual lending segment by offering payroll deduction loans. In 2006, we expanded our operations to include vehicle financing and direct consumer credit. Our vehicle financing operations focus on financing light vehicles, heavy-duty vehicles for farm and corporate use, and motorcycles for leisure use. We intend to improve our market share in the individual lending segment by offering new products, including mortgage payroll deduction loans, other consumer financing products and credit cards. As of September 30, 2010, the total balance of our individual loan portfolio amounted to R$1,858.7 million, or 35.8% of our total loan portfolio.

Payroll Deduction Loans

In 2004, we started offering payroll deduction loans to public sector employees under the DayCred brand, of which we filed an application for registration with the Brazilian Institute of Industrial Property (*Instituto Nacional de Propriedade Industrial*) (the "INPI"). Currently, our payroll deduction loan portfolio comprises primarily pension beneficiaries and retirees in the INSS system, public sector employees at the Brazilian federal, state and municipal levels (including members of Brazil's armed forces and workers in the law courts and legislative bodies), with a small number of employees from Brazil's private sector.

Our payroll deductions loans are governed by agreements we have executed with our borrowers' public and private sector employers and with the INSS. As of September 30, 2010, we had approximately 313,000 agreements, most of which have a definite duration and are subject to termination upon prior notice by either party. Some of those agreements have a defined term ranging from one to three years. If these agreements are terminated, the private employers or the public entities, as the case may be, remain responsible for withholding payments related to the outstanding credit we granted prior to such termination.

In the nine-month period ended September 30, 2010, we originated approximately R$932 million of payroll deduction loans, compared to R$583 million, R$627 million and R$513 million in the years ended December 31, 2009, 2008 and 2007, respectively.

The table below shows the breakdown by type of employer of our payroll deduction loans originated in the nine-month period ended September 30, 2010:

Entity	**For the nine-month period ended September 30, 2010**
	(% of total payroll deduction loans originated)
INSS	43.4
Government (state and federal)	32.7
Armed forces	10.4
Law courts and legislative bodies	9.8
Municipal governments	0.7
Other	2.8
Private sector employers and other	0.2
Total	**100.0**

Our payroll deduction loans portfolio increased 30.3%, from R$542.8 million on December 31, 2007 to R$707.1 million on December 31, 2008 and a further 38.7% to R$980.8 million on December 31, 2009. As of September 30, 2009 and 2010, our payroll deduction loan portfolio totalled R$864.2 million and R$1,352.5 million, respectively.

The table below shows our payroll deduction loan portfolio by type of employer at the dates indicated:

	As of September 30,	
Entity	**2009**	**2010**
	(% of total payroll deduction loan portfolio)	
INSS	41.2	37.1
Government (state and federal)	15.8	13.4
Armed forces	18.2	31.2
Law courts and legislative bodies	8.8	9.0
Municipal governments	8.0	5.9
Other	6.9	2.8
Private sector employers	1.2	0.6

	As of December 31,		
Entity	**2007**	**2008**	**2009**
	(% of total payroll deduction loan portfolio)		
INSS	37.2	34.1	39.5
Government (state and federal)	23.3	20.7	14.9
Armed forces	17.7	17.7	22.5
Law courts and legislative bodies	5.0	14.5	8.6
Municipal governments	8.2	10.4	7.5
Other	7.3	1.0	6.0
Private sector employers	1.3	1.6	1.0

INSS. Consists of payroll deduction loans to pension beneficiaries and retirees of the INSS. Under these loans, the pension beneficiary or retiree authorises the INSS to deduct each installment of the loan directly from the benefit. These deductions are limited to a 30.0% monthly cap established by law. On September 29, 2005, the INSS issued a normative ruling, which placed a 36-month limit on the period over which deductions can be made. The maximum interest rate applicable to the INSS pension beneficiaries and retirees is 2.5% per month. Currently, there is no age restriction applicable to beneficiaries and retirees for the execution of these loans, although the Brazilian Civil Code may restrict such execution in limited cases. As of September 20, 2010, our INSS payroll deduction loans amounted to R$501.8 million, or 9.7% of our total loan portfolio.

Public sector employees. Brazilian law allows governmental entities to deduct repayment installments of loans directly from the payroll of their employees, provided that certain conditions are satisfied. The employee must authorise the public entity to make such deductions prior to their commencement. As with deductions for INSS recipients, these deductions, combined with other optional deductions (such as association payments and retirement plan and life insurance contributions), are limited by law to 30.0% of the employee's monthly salary. However, if the sum of such optional deductions and other mandatory deductions (such as withheld income tax, social security contributions, union contributions, alimony and child support, and other withholdings required by law) exceeds 70.0% of the employee's monthly salary, the optional deductions in excess of that amount (including the payroll deduction loans we grant) may be suspended. As of September 30, 2010, our payroll deduction loans for public sector employees amounted to R$843.4 million, or 16.2% of our total loan portfolio.

Auto Loans

In addition to payroll deduction loans, commencing in July 2006, we supplemented our individual lending portfolio by offering financing for vehicles, most of which are used. Our vehicle financing portfolio increased rapidly through the third quarter of 2008, amounting to R$945.7 million as of September 30, 2008. Following the onset of the global financial crisis and an increase in non-performing vehicle loans commencing in the fourth quarter of 2008, we decided to reduce our exposure to the vehicle sector.

In the nine-month period ended September 30, 2010, we originated approximately R$124 million of auto loans, compared to R$84 million, R$664 million and R$456 million in the years ended December 31, 2009, 2008 and 2007, respectively. As of September 30, 2010, our vehicle financing portfolio amounted to R$471 million, or 9.1% of our total loan portfolio, compared to R$758 million, or 19.9% of our total loan portfolio, R$909 million, or 24.5% of our total loan portfolio and R$439 million, or 11.7% of our total loan portfolio, as of December 31, 2009, 2008 and 2007, respectively. Our strategy is to grow our vehicle financing portfolio to approximately R$500 million and maintain it at that level in the medium term.

This line of business operates throughout the country and has a database comprising 8,000 dealers, as well as its own sales force of specialists hired by Daycoval to cover major cities. Smaller cities are covered by correspondents registered with the Central Bank who employ more than 70 sales representatives to provide sales services at automotive outlets.

Most auto loans finance up to 70% or 80% of the purchase price of used cars with an average term of 10 years. Tenors and rates are competitive. As of September 30, 2010, passenger cars and other light vehicles accounted for 66.8% of the portfolio, heavy-duty vehicles for 23.7%, and motorcycles for 9.5%.

Other Products to Individuals

We also engage in other lending operations to individuals that allow us to achieve certain synergies in our operations. Our portfolio of loans to individuals also included direct consumer credits in the amount of R$35.3 million and R$24.0 million as of September 30, 2010 and December 31, 2009, respectively.

Collection Services

We provide services for the collection of credit instruments held by our clients based on our own collection procedures. Our fee for providing these services varies according to the terms and conditions of each agreement.

Asset management

Through our subsidiary, Daycoval Asset Management, established in 2004, we manage investment portfolios and funds, offering products to our sophisticated clients according to their investment profile. Daycoval Asset Management had approximately R$964 million investment portfolios and funds under management as of September 30, 2010, compared to R$643 million, R$238 million and R$241 million as of December 31, 2009, 2008 and 2007, respectively.

Treasury Operations

Our treasury operations seek to avoid mismatches between the respective interest rates and maturities of our funding and the loans we grant, as well as to obtain liquidity. We do not establish minimum performance goals for our treasury operations, but we usually arbitrate price distortions detected in the market to generate earnings. We operate mainly with government bond instruments, which are recorded in our financial statements as available for sale and therefore have their value subject to value mark-to-market adjustments. To a lesser extent, we also use derivative instruments and debt and equity issuances to manage our liquidity.

Clients

Our clients are principally composed of medium-sized companies with annual gross revenues between R$8.0 million and R$300.0 million. We have an extensive and diversified client base and do not significantly depend on any particular client. We also operate in the individual lending segment, in which our client portfolio consists of individuals and is highly fragmented. The diversification of our client base is an essential aspect of our business strategy.

As of September 30, 2010, our client base consisted of 3,531 active middle market clients and 194,910 individuals.

The table below shows the composition of our loan portfolio by sector in which our clients operate as of September 30, 2010:

	As of September 30,	
Sector	**2009**	**2010**
	(R$ millions)	
Industry	723.1	1,723.5
Trade	368.7	581.9
Rural	1.8	18.2
Financial Intermediaries	–	22.0
Other services	854.9	884.0
Individuals	1,537.4	1,941.9
Public sector	7.1	14.5
Total	**3,493.0**	**5,186.0**

	As of December 31,		
Sector	**2007**	**2008**	**2009**
		(R$ millions)	
Industry	833.9	693.3	1,109.7
Trade	529.6	382.1	408.7
Rural	15.7	8.3	4.9
Financial Intermediaries	116.4	-	40.2
Other services	958.4	1,083.8	611.0
Individuals	1,002.9	1,520.1	1,634.5
Public sector	19.1	17.9	5.8
Total	**3,476.0**	**3,705.5**	**3,814.9**

Below is a description of the criteria we use for the clarification of our middle market clients in each of the sectors.

- industry: loans granted to companies that operate in the manufacturing, mineral extraction, processing and transformation, construction and utility sectors, among others;
- trade: loans granted to companies that operate as intermediaries in the sale and purchase of products in the wholesale or retail segments;
- rural: loans granted to companies that operate in the agricultural sector;

- financial intermediaries: loans granted to companies that operate in the financial sector;
- other services: loan granted to companies that render services relating to air, maritime, road or rail transportation, communication, education, culture and entertainment, among others;
- individuals: loans to individuals; and
- public sector: loans to public sector entities at the federal, state and municipal levels.

Credit Policy, Risk Management and Default Rates

We use conventional instruments of credit analysis and records to evaluate our middle market clients. We usually initiate our credit operation through our commercial managers who are responsible for client prospecting. Subsequently, we analyze client data and verify the credit rating of the clients with credit protection agencies. If we do not identify any problems, a branch manager or superintendent contacts the potential client to formalise the relationship and conclude the prospecting process. Once this phase is finalised, we gather data and documents to create a client's credit file. Such documents and data, used to analyze the credit limit to be established, includes registration and accounting data, analytic indebtedness position, authorisation to check the client's status with the risk department of the Central Bank, corporate documents and site visit reports drafted by the branch manager or superintendent.

Each credit proposal, with the exception of loans made to individuals, must be pre-approved by one executive officer or the entire board of executive officers, taking into account the type and amount of the loan and the collateral received, the borrower's credit history, spread to be charged and specific and global risks of our loan portfolio. The decision-making process in connection with the approval of our middle market loans is as follows:

- loans of up to R$1.0 million: a special committee composed of three members must approve the transaction, subject to ratification by our board of executive officers, and
- over R$1.0 million: our entire board of executive officers must approve the transaction.

The credit limit approval is valid for a 180-day period. After that period, the credit limit must be reassessed. We are implementing a project to decentralise our decision-making process. As a result, we expect that part of the responsibilities of our board of executive officers, which has not yet been defined, will be delegated to a special committee.

For individual loans, we usually verify the credit rating of the individuals with credit protection agencies and request for income statements and proof of the residential address before granting any loans. These loans are approved by at least one of our executive officers.

The criteria we use to classify loans in our portfolio correspond to those established by the Central Bank. All of our clients receive a risk classification, and each loan granted to each client also receives a risk classification, depending on the risk level of the transaction and the amount we received as collateral. Classifications are determined by the credit line cap, type and amount of collateral to be received and spread to be applied. All transactions are confirmed by our back-office, which confirms the limits and receipt of all relevant documentation.

As of September 30, 2010 and 2009, the percentage of our loan portfolio represented by AA to C credits, according to the risk classification system established by the Central Bank, was 95.4% and 89.0%, respectively. As of December 31, 2009, 92.3% of our loan portfolio was classified as AA to C compared to 92.7% and 97.3%, as of December 31, 2008 and 2007, respectively. As of September 30, 2010, our loans in default for more than 60 days represented 1.1% of our total loan portfolio, compared to 4.5% and as of September 30, 2009. As of December 31, 2009, our loans in default for more than 60 days represented 2.6% of our total loan portfolio, compared to 3.6% and 1.1% and as of December 31, 2008 and 2007, respectively. Our provision for loan losses represented 3.3% and 7.7% of our total loan portfolio as of September 30, 2010 and 2009, respectively. Our provision for loan losses represented 5.6% of our total loan portfolio as of December 31, 2009, compared to 5.2% and 2.2% as of December 31, 2008 and 2007, respectively.

We believe that our risk management policy is essential for the maintenance of the quality of our loan portfolio and our low level of loan defaults, since it is designed to allow us select clients with an appropriate risk profile and to closely monitor the collateral that they grant us on the loans that we make. Our default levels are below average for banks in our segment in Brazil. The collateral granted to us is usually liquid and consist of trade bills, receivables, checks and pledges.

Distribution Network

Middle market Segment

We operate through 29 branches located in 25 cities across 18 Brazilian states and the Federal District (Brasília). In addition, our distribution system currently includes 133 salesmen. Besides our physical presence, our internet banking system allows every client to conduct all of its banking transactions remotely, making our services accessible from cities where we are not physically present. We rely heavily on information technology resources to carry out our activities, and we intend to make new investments in this area in 2010 to increase our capacity to service clients via internet banking.

Individual Segment

Our main distribution channel in this segment is our network of around 694 banking correspondents spread throughout Brazil. These banking correspondents are responsible for promoting, offering and selling our payroll deduction and auto loan products, collecting all relevant documentation and agreements from clients and providing all information we request during the credit approval process. These banking correspondents have an extensive network of independent agents who further broaden our distribution network. Banking correspondents are paid on a commission-fee basis calculated on the principal amount of loans granted.

As is customary in this market, our relationship with our banking correspondents is not exclusive, so they may generate business for other banks. Our payroll deduction loans and auto loans are highly dependent on the ability of our banking correspondents and their independent sales agents to identify new borrowers for us.

Information Technology

We have implemented a comprehensive technology upgrade and expansion plan in recent years in order to support our growth strategy and double the capacity of our operating systems.

The changes, which required significant investment in the implementation of leading-edge platforms, encompassed equipment renewal and expansion, technology platform restructuring, construction of new systems, and the enhancement of existing structures to meet the new needs and demands of customers and business partners.

The renovation has made us more modern and streamlined in our operations, intensifying our readiness to leverage new business opportunities and offer personalised solutions in products and services in a rapid and efficient manner.

The capacity of the internet structure more than doubled in a short period, especially for Daycred’s online retail transactions delivering payroll loans and auto loans. To enhance security, we have retained the services of specialists to maintain a backup of the system including the entire database, so that the system can resume normal operations quickly in a contingency.

A new system has been installed to consolidate all the information held by us and permit easy access and faster credit decision making by business managers. The programme is already undergoing a new stage of enhancement to assure even greater agility in the work done by these managers.

We have three ITIL-certified professionals to guarantee best practice in IT service management, as well as programs that generate performance indicators for people and processes, providing a system of metrics that identifies enhancement opportunities.

In 2009, we became the first middle market bank in Brazil to offer pre-authorised direct debit under a system known as DDA. This innovative electronic payment service enables customers and clients to settle online any utility bill, credit instalment, insurance premium or other debt registered in their name with us or any other financial institution in the DDA system, using our internet banking platform. The benefits to users include speed, convenience and security.

We also invested in the Bank's portal, especially Dayconnect, a dynamic and secure internet banking platform. As part of this service, we implemented a secure and reliable authentication system called Daycoval eCode, to ensure that only authorised users with their own security cards and tokens can access Dayconnect.

Competition

The financial services market in Brazil is highly competitive. We face direct competition from major multi-service banks in Brazil, such as Banco Bradesco S.A., Banco do Brasil S.A., Banco Safra S.A., Banco Santander (Brasil) S.A., Itaú Unibanco S.A., as well as from medium-sized banks focused on the same business segments as ourselves, Banco Industrial e Comercial S.A., Banco Fibra S.A. and Banco Indusval S.A. In the individual lending segment, we face competition from Banco Bonsucesso S.A. and Banco BMG, among others.

Since 1990, the banking industry in Brazil has been going through a period of consolidation. Some banks have been liquidated, many major state-owned banks have been privatised and many medium-sized private sector banks have been sold. Of particular significance in the past few years, Banco do Brasil acquired Banco Nossa Caixa S.A. and a 50% interest in Banco Votorantim S.A., Caixa Econômica Federal S.A. acquired 35% of Banco Panamericano S.A., the Itaú group merged with the Unibanco group and Banco Santander (Brasil) S.A. acquired Banco ABN AMRO Real S.A. For more details, see "Regulation of the Brazilian Banking Industry—Principal financial institutions".

Marketing

We believe that the strong recognition of our brand is primarily the result of the solid and transparent image we have built with our clients and the awards that we have received (such as the best middle market bank granted by Gazeta Mercantil/Austin Ratings in 2006, 2007 and 2008 and by FGV/Conjuntura Econômica magazine in 2006 and 2007). We believe the strong recognition of our brand helps us to attract new clients without significant marketing initiatives and signals our credibility in the market. Unlike some of our competitors, our marketing efforts are usually limited to specific and focused marketing events.

Human Resources

Employees

On September 30, 2010, we had 761 employees including a sales force of 183. Following a reduction in our number of employees in 2008 as a result of the global financial crisis, we increased our number of employees in 2009 and 2010 as a result of improved economic conditions.

Training

In order to meet the Central Bank's requirements, as well as improve the quality of our credit products, we regularly provide courses, seminars and conferences for our employees in their respective areas of expertise, including courses related to the prevention of money laundering. We also regularly pay for other courses and seminars requested by employees that we deem useful for our activities.

Payroll and Benefits

For the year ended December 31, 2009, we had payroll expenses of R$61.7 million, including expenses in connection with salaries, payroll charges and benefits. These benefits include: (i) meal vouchers, (ii) transport vouchers, (iii) fuel allowance (for commercial department only), and (iv) life insurance. We also maintain a profit sharing plan regulated by a collective bargaining agreement with FEBRABAN and the Banking Trade Union (*Sindicato dos Bancários*) (the "Banking Trade Union"). In 2009, the expenses of our profit sharing plan to employees amounted to R$14.6 million. For the nine-month period ended September 30, 2010, we had payroll expenses of R$65.1 million and the expenses of our profit sharing plan to employees amounted to R$19.7 million.

Unions and Collective Bargaining Agreements

Our employees are members of the Banking Trade Union and we are members of the Bank Association (*Sindicato dos Bancos*) (the "Bank Association"). We believe we have good relationship with our employees and unions and we have never experienced a strike or other labour slowdown.

Properties

We rent the building where our principal office in the city of São Paulo and the premises where our other branches are located. As of September 30, 2010 we also owned properties due to our foreclosure of loans backed by real estate. Pursuant to regulations established by the Central Bank, we are required to sell this real estate within a year following its acquisition.

Intellectual Property

We own the "Daycoval" brand, as well its respective logo, and the "DayCred" brand, which are registered with the INPI.

We own the domain names "daycoval.com.br", "bancodaycoval.com.br" and "daycred.com.br", which are duly registered with the Information and Coordination Center Dot Br (*Núcleo de Informação e Coordenação do Ponto Br*), or NIC.br, the entity responsible for registering domain names in Brazil.

Insurance

We maintain insurance policies with Itaú-Unibanco Seguros and Zurich Brasil Seguros, covering Bankers Blanket Bond risk and part of property risk, ACE Seguros covering Directors & Officers risk and Sul América Seguros and Itaú-Unibanco Seguros covering the other part of property risk. The total amount of this coverage is R$42.3 million.

Our insurance policies are renewed on annual basis and contain standard terms and conditions applicable to insurance policies with similar coverage and in accordance with Brazilian regulations. The property policies, which cover building and furniture risks highlighting coverage against damages caused by fire, lightning and explosion, electric short circuits, robbery and aggravated theft. The total amount of this coverage is R$27.0 million and includes risks in our principal office in the city of São Paulo and the other premises where our branches and offices are located.

Material Agreements

We are parties to several agreements arising out of the normal course of our business, such as agreements for telecommunications, supply of goods and several services, such as banking services, security, collection and, information technology. We do not believe that any of those agreements taken individually is material.

We have entered into agreements with Daycoval Veículos FIDC and Daycoval FIDC in order to securitise portions of our loan portfolio. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding—Borrowings and Onlendings".

During the first quarter of 2009, we concluded an agreement with the Pioneer Investors pursuant to which the Pioneer Investors subscribed R$410.0 million of our Pioneer CDBs in a private placement. The operation was intended to increase our liquidity and strengthen our capital structure, provide funding to expand our middle market lending operations and diversify and extend the tenor of our funding. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants which may be converted into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. The warrants may be converted into up to a maximum of 18,451,613 ordinary shares and 50,322,580 preferred shares. The Pioneer CDBs mature on March 31, 2014 and pay interest through March 31, 2013 at a rate of 110% of the DI-CETIP Over rate and thereafter at a rate of 55% of the DI-CETIP Over rate.

On June 22, 2010, we entered into a financing agreement with the International Finance Corporation pursuant to which it extended to us loans totalling U.S.$135 million and €23.5 million, consisting of five tranches with varying maturity dates between June 2012 and June 2015.

On November 19, 2010, we entered into a financing agreement with the Inter-American Investment Corporation (the "IIC") pursuant to which IIC and a syndicate of banks extended loans to us in an aggregate amount of U.S.$112.5 million, made up of two tranches with three year and five year maturities.

On December 21, 2010, we entered into an agreement with the Inter-American Development Bank ("IADB") pursuant to which the IADB agreed to make available a trade finance guarantee facility through which it may issue guarantees, up to an aggregate nominal amount of U.S.$50 million, in support of our payment obligations under instruments issued by us in connection with trade finance transactions.

Legal Proceedings

We are party to various judicial and administrative proceedings, including civil, labour and tax proceedings, arising in the ordinary course of our business. As of September 30, 2010, our provisions for legal proceedings were approximately R$394.8 million, of which R$385.9 million related to tax proceedings, R$7.6 million related to civil proceedings and R$1.3 million related to labour proceedings. We believe that our provisions for judicial and administrative proceedings are sufficient to meet our probable losses. We do not believe that any individual pending proceedings, if adversely decided, would have a material adverse effect on us.

Our principal tax proceedings are summarised below:

- IRPJ (*Imposto de Renda – Pessoa Jurídica*) proceedings: we have disputed (i) the deduction of the amounts we pay for the CSLL from the tax base used for the calculation of IRPJ and (ii) the effect from the non-recognition of monetary adjustments of our balance sheet. As of September 30, 2010, we had provisions of R$111.4 million in connection with these proceedings;

- CSLL (*Contribuição Social sobre o Lucro Líquido*) proceedings: we have challenged (i) the effect from the non-recognition of monetary adjustments of our balance sheet, and (ii) the application of a differentiated tax rate for the calculation of the CSLL, (iii) the deduction of the CSLL paid from our tax base relating to the fiscal year ended December 31, 1996 of interest on shareholders' equity we paid in that year, and (iv) the purported increase in the rate from 9% to 15% as of January 2008. As of September 30, 2010, we had provisions of R$65.7 million in connection with these proceedings;

- COFINS proceedings: we have disputed the tax base for the calculation for the COFINS, which we believe is applicable to our net income as opposed to our total income from financial intermediation. As of September 30, 2010, we had provisions of R$183.1 million in connection with these proceedings;

- PIS proceedings: we have disputed the tax base for the calculation of the PIS, which we believe is applicable to our net income as opposed to our total income from financial intermediation. As of September 30, 2010, we had provisions of R$25.7 million in connection with this proceedings.

SUBSIDIARIES AND AFFILIATES

The following table sets out the active subsidiaries of the Bank, showing the principal activity of the subsidiary and the Bank's proportion of its net worth as of September 30, 2010.

Name	Percentage owned	Principal activity
	(%)	
Direct Subsidiaries		
ACS Participações Ltda.	99.99	Investment holding company
Daycoval Asset Management Adm. Recursos Ltda.	99.99	Fund and portfolio management
Dayprev Vida e Previdencia S.A.	97.00	Insurance business
Indirect Subsidiaries		
Treetop Investments Ltd.	100.00	Investment holding company
IFP Promotora de Serviços de Intermediação Financeira Ltda.	99.99	Financial services intermediation
SCC Assessoria em Cadastro e Cobrança Ltda.	99.99	Travel and foreign exchange services

Through its subsidiaries, Banco Daycoval provides its customers with complementary financial products, such as asset management and insurance brokerage. Our principal subsidiaries are as follows:

ACS Participações Ltda.

ACS Participações Ltda. ("ACS") is a holding company which invests in and controls other companies owned by the Bank. We own 99.99% of ACS. As of September 30, 2010, ACS had shareholders' equity was R$142.7 million.

Daycoval Asset Management Administração de Recursos Ltda.

Daycoval Asset Management Adm. Recursos Ltda ("Daycoval Asset Management") carries out fund and portfolio management services for its clients. We own 99.99% of Daycoval Asset Management, which manages investment funds and asset portfolios of our clients. As of September 30, 2010, Daycoval Asset Management had shareholders' equity of R$14.3 million.

Dayprev Vida e Previdencia S.A.

We own 97.0% of Dayprev, through which we provide private pensions under the brand name Dayprev. The purpose is to support new payroll lending via life insurance as part of a pensions portfolio. As of September 30, 2010, Dayprev had shareholders' equity of R$19.2 million.

Treetop Investments Ltd.

Treetop Investments Ltd. is a company incorporated in the Bahamas and is used mainly as an investment vehicle for our operations, but does not engage in any commercial activity. As of September 30, 2010, Treetop had shareholders´ equity of R$17.0 million.

IFP Promotora de Serviços de Intermediação Financeira Ltda.

IFP Promotora de Serviços de Intermediação Financeira Ltda. ("IFP") provides financial services intermediation to individuals. As of September 30, 2010, IFP had shareholders' equity of R$10.2 million.

SCC Assessoria em Cadastro e Cobrança Ltda.

As of September 30, 2010, SCC Assessoria em Cadastro e Cobrança Ltda. had shareholders´ equity of R$0.1 million.

MANAGEMENT AND EMPLOYEES

Management

Pursuant to our bylaws and Brazilian Corporation Law, we are managed by a *Conselho de Administração*, or board of directors, and a *Diretoria*, or board of executive officers. Our bylaws provide for a non-permanent fiscal council.

Board of Directors

Pursuant to our bylaws, our board of directors is composed of a minimum of three and a maximum of six directors, of which 20% must be independent directors. Should this percentage result in a fractional number, our board of directors may proceed to round it up, if the fraction is equal to or higher than 0.5, or down, if lower than 0.5. Therefore, if our board of directors comprises three members, at least one member must be an independent director. The minutes of the shareholders' meeting that elects the independent director must clearly identify such director.

Our board of directors is responsible for defining our general business policies and overall guidelines, including our long-term strategies, and for controlling and monitoring our performance. The duties of our board of directors include, among other things, electing or removing our executive officers and supervising our management team.

The members of our board of directors are elected at a shareholders' meeting for two-year terms, reelection being permitted. The board members may be removed at any time pursuant to a decision of a shareholders' meeting. All our directors must be individuals who reside in Brazil and hold at least one of our shares.

As a result of the execution of an agreement to join the Level 1 segment of BM&FBOVESPA and of our adherence to the Level 1 regulation, our directors are required to sign an instrument of adherence to this regulation and our agreement with the BM&FBOVESPA prior to taking office. In addition, under our by-laws, the members of our board of directors are required to adhere to the regulation of the market arbitration chamber established by the BM&FBOVESPA.

In accordance with Brazilian Corporation Law, minority shareholders of a listed company, whose interest in the voting shares represent a minimum of 15.0% of the company's voting capital stock, have the right to elect one member of the board of directors 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 in a separate voting process.

As of September 30, 2010, our capital stock consists of 142,418,179 common shares and 73,906,333 preferred shares, including 846,059 shares held in treasury. Approximately 25.0% of our total capital stock (all in the form of preferred shares), are held by investors other than members of the Dayan family, the board of directors and executive officers.

Currently, our board of directors is composed of four members, two of whom are independent directors. The term of office of our directors extends through the annual shareholders' meeting to be held to analyze and approve our financial statements for the year ended December 31, 2010.

The table below shows the names, position and date of election of the current members of our board of directors. The business address of our board of directors is Av. Paulista, 1793, Bela Vista – 01311-200 – São Paulo – SP, Brazil.

Name	Position	Election Date
Sasson Dayan	Chairman	April 24, 2009
Gustavo Henrique de Barroso Franco	Independent Member	April 24, 2009
Peter M. Yu	Independent Member	April 24, 2009
Rony Dayan	Member	October 20, 2009

Except for the stockholding participations referred to in this section or as disclosed in "Related Party Transactions", we have no relevant agreements with and obligations to the members of our board of directors. Insofar as the Bank is aware, there are no conflicts, or potential conflicts, between any duties to the Bank of any of the members of the board of directors and their private affairs.

We set out below brief biographical descriptions of the members of our board of directors:

Sasson Dayan. Mr. Sasson Dayan is currently a chairman of our board of directors. He started his career in Lebanon at Casa Bancária Salim A. Dayan, which was founded by his father. In 1968, he incorporated Daycoval DTVM in Brazil together with his brother Ibrahim Dayan. In 1970, they also founded Valco Corretora de Valores Mobiliários, which had significant operations in the BOVESPA. In 1989, Daycoval DTVM was authorised to operate as a multiple bank and became Banco Daycoval S.A.

Gustavo Henrique de Barroso Franco. Mr. Gustavo Franco is currently an independent member of our board of directors. From 1986 to 1993, he was a professor, researcher and consultant specialised in inflation, stabilisation and international economic issues. From 1993 to 1999, he was the adjunct secretary of economic policy of the Ministry of Finance, director for international affairs and president of the Central Bank. Mr. Franco played an essential role in the formulation and structuring of the Real Plan, among other activities. In 1999, he worked as a professor in the economics department of Pontifícia Universidade Católica do Rio de Janeiro, or PUC-Rio. In 2000, he founded Rio Bravo Investimentos S.A., a consulting financial company, in which he serves as the CEO. He is also a member of the board of directors of various companies, as well as consultant and speaker in corporate events. Mr. Franco holds a degree in economics from PUC-Rio and a masters degree in economics from PUC-Rio. He also holds a Ph.D in economics from Harvard University.

Peter M. Yu. Mr. Peter Yu is currently an independent member of our board of directors. He is the Managing Partner of the Cartesian Capital Group. Prior to founding Cartesian, Mr. Yu founded and served as Chief Executive Officer of AIG Capital Partners, Inc. ("AIGCP"). Under his leadership, AIGCP became a leading emerging market private equity firm, with more than U.S.$4.5 billion under management. Prior to forming AIGCP, Mr. Yu served President William Clinton as Director of the National Economic Council, the White House office responsible for developing economic policy. A graduate of Harvard Law School, Mr. Yu served as President of the Harvard Law Review and as a law clerk on the U.S. Supreme Court. Mr. Yu received a BA from Princeton University's Woodrow Wilson School.

Rony Dayan. Mr. Rony Dayan is currently a member of our Board of Directors. He earned a degree in Business Administration from FGV in 2001. He attended specialisation courses in management and leadership in Israel. He is fluent in French, English, Spanish, Hebrew and Portuguese. He built a solid career at Banco Daycoval, where he was responsible for the Marketing Department and Collateral Review. He has worked in the institution since 2001.

Board of Executive Officers

Under our by-laws, our board of executive officers is composed of a minimum of four and a maximum of nine members, one of whom is designated as our chief executive officer, one of whom is designated as our investor relations officer, up to five of whom are designated as executive officers and the rest simply designated as officers. Our executive officers are our legal representatives, responsible for the day-to-day management of our operations and for implementing the policies and general guidelines set by our board of directors.

Under Brazilian Corporation Law, our executive officers must reside in Brazil, but do not need to be shareholders.

Our executive officers are elected by our board of directors for two-year terms, reelection being permitted. Under the Brazilian Corporation Law, a maximum of one-third of our directors may also serve as our executive officers. In addition, our executive officers may be removed at any time pursuant to a decision taken by our board of directors.

Like our directors, our executive officers are also required to execute a management statement under which they are personally responsible for complying with Level 1 regulation and the agreement with BM&FBOVESPA, prior to taking office. In addition, under our by-laws, our executive officers are required to adhere to the regulation of the market arbitration chamber established by the BM&FBOVESPA.

Currently, our board of executive officers is composed of five members. The table below shows the names, age, titles and date of election of our current officers.

Name	**Position**	**Election Date**
Sasson Dayan(1)	Chief Executive Officer	April 26, 2010
Morris Dayan(1)	Executive Officer and Investor Relations Officer	April 26, 2010
Salim Dayan(1)	Executive Officer	April 26, 2010
Carlos Moche Dayan(1)	Executive Officer	April 26, 2010
Maria Regina R.M. Nogueira	Officer	April 26, 2010

Note:
(1) Our executive officers Salim Dayan and Carlos Moche Dayan are the sons of Sasson Dayan. Our executive officer Morris Dayan is the son of Ibrahim Dayan, one of the founders of the Bank.

We set out below brief biographical descriptions of the members of our board of executive officers:

Sasson Dayan. Mr. Sasson Dayan has been our chief executive officer since 1989. See "Board of Directors" for a description of Mr. Sasson Dayan's resume.

Morris Dayan. Mr. Morris Dayan has been our officer since March 1998 and our investor relations officer since March 2007. From 1991 to 1992, he worked as a trainee in the Republic National Bank of New York. Since 1992, he has worked with us as trader and from 1992 to 1994, and participated in various courses in the BM&FBOVESPA. Mr. Morris Dayan graduated from the University of Jerusalem with degrees in economics and philosophy.

Salim Dayan. Mr. Salim Dayan has been our officer since March 1998 and has worked with us as a sales manager since 1991. Mr. Salim Dayan graduated from the Universidade de São Paulo with a degree in production engineering and he holds his MBA from Instituto Brasileiro de Mercado de Capitais.

Carlos Moche Dayan. Mr. Carlos Dayan has been our officer since March 1998 and has worked with us as a sales manager since 1994. Mr. Carlos Dayan graduated from the Universidade de São Paulo with a degree in economics and he holds his MBA from FGV.

Maria Regina R. M. Nogueira. Mrs. M. Regina Nogueira graduated from the Fundação Armando Álvares Penteado with a degree in economics. She attended several courses in the Continuing Education Programme at FGV oriented towards the financial market. She has participated in technical committees at FEBRABAN, at ANBIMA and at the Brazilian Bank Association – ABBC. She has a strong background and broad knowledge in the banking and financial segment acquired during her executive career in various mid-size and large financial institutions over the last 25 years.

Fiscal Council

Under Brazilian Corporation Law, a fiscal council is a corporate body independent of the management and our independent accountants. A fiscal council may be either permanent or non-permanent, in which case it will be installed at the request of shareholders that represent at least 0.1% of the voting shares or 5% of the non-voting shares, presented in any shareholders' meeting in a specific year. Our fiscal council is non-permanent, according to our by-laws. When installed, the fiscal council will be composed of a minimum of three and a maximum of five members and their respective alternates, according to the Brazilian Corporation Law. Under our by-laws, our fiscal council members are subject to the rules of the market arbitration chamber established by the BM&FBOVESPA.

As our fiscal council is not currently installed, we have not elected any fiscal council members.

The primary responsibilities of the fiscal council are monitoring management activities, reviewing the company's financial statements and reporting its findings to the shareholders. Under the Brazilian Corporation Law, we are required to pay to fiscal council members, as compensation, a minimum of 10% of the average annual amount paid to our executive officers.

Under the Brazilian Corporation Law, our fiscal council may not include members that are (i) on our board of directors, or (ii) on our board of executive officers, or are (iii) employed by us or (iv) employed by a subsidiary or company under common control with us, or are (v) spouses or close family members of any member of our board of directors or board of executive officers.

Audit Committee

In 2009, we constituted and installed our audit committee, pursuant to CMN Resolution No. 3,198 of May 27, 2004. The primary responsibilities of the audit committee are to review the quality and accuracy of our financial statements, to ensure compliance with applicable laws and regulations and to maintain our relationship with our independent accountants. The audit committee is also responsible for the quality of our internal audit procedures and the efficiency of our internal controls and risk management systems.

Compensation

Under our by-laws, our shareholders are responsible for establishing, at a shareholders' meeting, the aggregate amount we pay to the members of our board of executive officers and our board of directors. A board of directors' meeting must in turn allocate this amount among our directors and executive officers.

Our shareholders' meeting set the aggregate compensation of the members of our board of directors and board of executive officers for the year 2010 at up to R$15.0 million.

Stock option plans

On May 21, 2008 the Extraordinary General Meeting approved our Stock Option Purchase Plan (the "Plan"). Those eligible to participate in the Plan are executives, managers, employees (of the Bank or of any company under its control) and individuals who provide services to the Bank or to any company under its control. The options to purchase shares granted within the scope of the Plan may not exceed 5% of our total fully paid-up share capital stock. Our board of directors have approved four stock option programmes, however, as of September 30, 2010, options had been granted under only three of the programmes. The total number of options which had been granted prior to such date pursuant to the Plan was 1,720,270, of which 711,333 had been exercised, 967,270 remained outstanding and 41,667 had been cancelled. For further discussion of the Plan, see the notes to our financial statements included in these Listing Particulars.

Shares held by our directors and officers

The table below indicates the number of our shares that are directly held by our directors and executive officers, as well as the respective individual percentages that their ownership represent in the total number of our shares, as of September 30, 2010.

Directors and executive officers	**Common shares**	**%**	**Preferred shares**	**%**	**% of our total shares**
Sasson Dayan	1	-	100,000	0.14	0.05
Morris Dayan	1	-	5,317,386	7.19	2.46
Salim Dayan	-	-	5,317,390	7.19	2.46
Carlos Moche Dayan	-	-	5,317,390	7.19	2.46
Rony Dayan	-	-	15,305	0.02	0.01
Peter M. Yu	-	-	1	n.a.	n.a.
Maria Regina R. M. Nogueira	-	-	7,640	0.01	n.a.
Gustavo Henrique de Barroso Franco	-	-	1	n.a.	n.a.
Total	**2**	**n.a.**	**16,075,113**	**21.75**	**7.43**

Except for Gustavo Henrique de Barroso Franco, Peter M. Yu and Maria Regina R. M. Nogueira, all of our directors and executive officers own common and/or preferred shares of our controlling shareholder Daycoval Holding Financeira S.A., which in turn owns 99.9% of our common shares. See "Introduction to Banco Daycoval S.A.—Structure of Banco Daycoval S.A.".

PRINCIPAL SHAREHOLDERS

We are controlled by Daycoval Holding Financeira S.A., which holds 100.0% of our voting shares and 65.8% of our total capital stock. Daycoval Holding Financeira is controlled by the Dayan family. See “Introduction to Banco Daycoval S.A. — Structure of Barco Daycoval S.A.”.

Our bylaws are intended to ensure that such control is not abused.

On September 30, 2010, we had an authorised and subscribed share capital of R$1,359.1 million, consisting of 216,324,512 shares, divided in 142,418,179 common shares and 73,906,333 preferred shares with no par value (846,059 of which are held in treasury). Each common share is entitled to one vote. Our preferred shares do not have voting rights but shall have priority in the reimbursement of capital, without premium.

The principal shareholders of the Bank on September 30, 2010 are as follows:

	Common shares		**Preferred shares**		**Total**	
Share holder	**Quantity**	**%**	**Quantity**	**%**	**Quantity**	**%**
Daycoval Holding Financeira S.A.	142,418,177	100.00	-	-	142,418,177	65.84
Carlos Moche Dayan	-	-	5,317,390	7.19	5,317,390	2.46
Salim Dayan	-	-	5,317,390	7.19	5,317,390	2.46
Morris Dayan	1	n.a.	5,317,386	7.19	5,317,387	2.46
Tarpon Invest S.A. (1)	-	-	13,396,753	18.13	13,396,753	6.19
HSBC Bank Brasil S.A. (1)	-	-	12,668,600	17.14	12,668,600	5.86
Credit Suisse Próprio Fundo de Investimento Multimercado	-	-	10,374,363	14.04	10,374,363	4.79
Treasury shares	-	-	846,059	1.15	846,059	0.39
Other shareholders	1	n.a.	20,668,392	27.97	20,668,393	9.55
Total	**142,418,179**	**100.00**	**73,906,333**	**100.00**	**216,324,512**	**100.00**

Notes:
(1) Stake held by investment fund(s)

Share Buyback Plan

On October 7, 2009, our board of directors approved a share buyback plan (the “Share Buyback Plan”) pursuant to which up to 1,557,392, or 2.8%, of our outstanding registered preferred shares could be repurchased at market value, using existing reserves, to be held in treasury and subsequently resold or cancelled, without a reduction in capital, in accordance with Law No. 6406, CVM Instruction No. 10/80 and our bylaws. The maximum limit on the number of shares which could be repurchased pursuant to the Share Buyback plan was reached during the nine-month period ended September 30, 2010.

Agreement with Pioneer Investors

During the first quarter of 2009, we concluded an agreement with the Pioneer Investors pursuant to which the Pioneer Investors subscribed R$410.0 million of our Pioneer CDBs in a private placement. The operation was intended to increase our liquidity and strengthen our capital structure, provide funding to expand our middle market lending operations and diversify and extend the tenor of our funding. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants which may be converted into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. The warrants may be converted into up to a maximum of 18,451,613 ordinary shares and 50,322,580 preferred shares. The Pioneer CDBs mature on March 31, 2014 and pay interest through March 31, 2013 at a rate of 110% of the DI-CETIP Over rate and thereafter at a rate of 55% of the DI-CETIP Over rate.

RELATED PARTY TRANSACTIONS

The Bank, in common with other banks in Brazil, is prohibited from lending or advancing funds to, or guaranteeing the obligations of, or underwriting transactions of: (i) its directors, executive officers and managers, members of its fiscal council, their respective spouses and certain other relatives of such persons; (ii) any person or entity which holds more than 10% of its share capital; (iii) any entity of which it holds more than 10%. of the total capital (except subject to prior approval of the Central Bank in certain limited circumstances); and (iv) any entity of which any of the persons mentioned in (i) above holds more than 10% of the total capital.

Accordingly, we have not granted loans or made cash advances to, or guaranteed the transactions of, any of our non-financial affiliates or to our directors, officers or close family members of our directors and officers.

Certain affiliates, shareholders and subsidiaries maintain demand and time deposits with us or hold securities issued by us pursuant to transactions carried out on an arm's length basis on standard market terms. As of September 30, 2010, we held time deposits and demand deposits in a total amount of R$258.0 million on behalf of Daycoval Holding Financeira S.A. and other related parties in respect of which financial information is not consolidated within our financial statements.

As of September 30, 2010, the total net amount of our related party transactions was a liability R$18.8 million, as we were entitled to receive R$311.6 million and were required to pay R$330.4 million thereunder.

See the note 27 to our consolidated financial statements included in these Listing Particulars for further discussion of our related party transactions.

THE BRAZILIAN FINANCIAL SYSTEM AND BANKING REGULATION

The basic structure of the Brazilian financial system (*Sistema Financeiro Nacional*) was established by 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 consists of the following regulatory and fiscal bodies:

- the CMN;
- the Central Bank;
- the CVM;
- SUSEP; and
- the Complementary Pensions Secretariat (*Secretaria de Previdência Complementar*).

The CMN and the Central Bank regulate the Brazilian banking sector. The CVM is responsible for the policies of the Brazilian 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 forms of payment 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;
- regulating the constitution and operation of financial institutions;
- 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 stable development of the national economy;
- supervising Brazil's reserves of gold and foreign exchange;
- 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 organisation and operation of the Brazilian securities market.

The Minister of Finance is the Chairman of the CMN, which also consists of 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 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 for, among other activities, controlling credit and foreign capital, 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 reorganisation of financial institutions, as well as the establishment of transfers of principal places of business or branches (whether in Brazil or abroad) and requiring the submission of periodical and annual financial statements by financial institutions.

The President of the Central Bank is appointed by the President of Brazil, subject to ratification by the Federal Senate, and holds 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 the Brazilian corporations law and securities laws.

The CVM is responsible for regulating the supervision and inspection of publicly-held companies (including with respect to disclosure criteria and penalties applicable to violations in the securities market), the trading and transactions in the securities and derivatives markets, the organisation, 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 ("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. 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 substituted 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 on bank loan interest rates. Since the enactment of the Brazilian Constitution, however, such rates have 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 was implemented.

In May 2003, Constitutional Amendment 40/03 ("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 without the enactment of this constitutional amendment.

With the enactment of the Civil Code in 2002, unless the parties to a loan have agreed to use a different rate or another rate is provided for by law, in principle, the ceiling of the interest rate has been pegged to the SELIC rate. However, there is presently some uncertainty as to whether the SELIC rate or the 12% per annum interest rate established in the Brazilian tax code should apply and whether such ceiling should apply to financial institutions.

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 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 or purchased subject to the occurrence of certain conditions. 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

Upon registering with the Central Bank, financial institutions may borrow foreign currency-denominated funds in the international markets without the prior written consent of the Central Bank, including onlending such funds in Brazil to Brazilian corporations and other financial institutions. Banks make those onlending transactions through loans payable in Brazilian currency and denominated in such foreign currency. The terms of the onlending must mirror the exact terms and conditions 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 onlending 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 No. 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.

According to CVM Instruction No. 306 of May 5, 1999, as amended, only individuals or entities authorised 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 and a specialised technical department to perform asset management activities.

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 in relation to certain structured investment funds, which are regulated by a distinct set of rules).

The asset management industry is also self-regulated by ANBIMA, which enacts additional rules and policies, primarily with respect to marketing and advertising.

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 providing credit allocation, the simplification of banking procedures and the liberalisation of credit union (*cooperativas de crédito*) regulations.

Since 2003, commercial banks, full service banks licensed to provide commercial banking services, and CEF 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. According to Resolution No. 3,422 dated November 30, 2006, as amended by Resolution No. 3,706 dated March 27, 2009, 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$2,000 for individuals and R$5,000 for micro-enterprises (or R$15,000 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 transaction 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 accountants and Audit Committee

Resolution No. 3,198, issued by the CMN on May 27, 2004, as amended by CMN Resolution No. 3,271 dated March 3, 2005, CMN Resolution No. 3,416 dated October 24, 2006 and CMN Resolution No. 3,606 dated September 11, 2008 ("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 specialised banking analysis by the *Instituto dos Auditores Independentes do Brasil* (the "IBRACON") and if they meet several requirements that assure their independence. Moreover, financial institutions must replace the person, officer, manager, supervisor or any of its members responsible for their independent accounting firm work at least every five consecutive years (requirement established by CMN Resolution No. 3,606, enacted on September 11, 2008 ("Resolution no. 3,606"). Former accountants can be reassigned to the audit team 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.

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 party assets in the amount equal to or greater than R$1 billion or (iii) managing third party 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. 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 should notify the Central Bank of the existence or evidence of error or fraud within a maximum period of three business days from the respective identification of the same, represented by:

- non compliance with legal and regulatory norms that place the continuity of the audited entity at risk;
- fraud of any amount perpetrated by the administration of said institution;
- relevant fraud perpetrated by entity employees or third parties; or
- errors that result in significant errors in the accounting records of the entity.

Audit Committee

Audit committee members of financial institutions with shares traded on a stock exchange may not be or have been in the previous twelve months: (i) the officer of the institution or its affiliates; (ii) an employee of the institution or its affiliates; (iii) the technician responsible, officer, manager, supervisor or any other member of a management post of the team involved in auditing activities at the institution; or (iv) a member of the institution's audit council or that of its affiliates; including as a spouse, blood relative, surety, affinity and second degree relatives of such persons.

Audit committee members of open capital financial institutions are also forbidden from receiving any other kind of remuneration from the institution or its affiliates other than that relating to their respective post as a member of the audit committee. In the event an audit committee member of the institution is also a member of the board of directors of the institution or its affiliates, such member must opt for remuneration related to one of the posts.

The audit committee should report to the board of directors or officers, as applicable and its main duties are:

- nominate the independent accountant to be elected by the board of directors;
- supervise the work of the independent accountant;

- request that the independent accountant be substituted whenever deemed necessary;
- revise the financial records for each half year period as well as the administrative and auditing reports;
- supervise accounting and auditing, including compliance with in-house procedures and applicable regulations;
- evaluate the compliance of the financial institution's administration with the guidelines provided by the independent accountant;
- establish procedures for receiving and disclosing information in the event of any non-compliance with in-house procedures or applicable regulations;
- offer guidance to officers and directors with regard to in-house controls and procedures to be adopted; and
- meet every three months with officers and directors, independent accountants and in-house accountants to verify compliance with its guidelines.

Furthermore, Brazilian regulation also permits the creation of a single audit committee for an entire group of companies. In this particular case, the audit committee should be responsible for any and all financial institutions belonging to the same group.

Financial Reporting and Auditing Requirements

Brazilian law requires financial institutions to prepare their financial statements in accordance with certain standards established by the Brazilian corporations law and other applicable regulations. As a financial institution, we are required to have our 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 dated January 31, 2008 ("Resolution No. 3,533") provides changes to the manner in which assigned credit rights are to be treated in our books (pursuant to CMN Resolution No. 3,809 of October 28, 2009, as amended by Resolution No. 3,895 dated July 29, 2010, such changes will come into effect as from January 1, 2012) and cannot be adopted by Brazilian banks prior to such date. In accordance with Resolution No. 3,533, if the assignor substantially retains 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 commitments; (ii) assignments in which the assignor undertakes the obligation to compensate the assignee for losses; and (iii) assignments made jointly with the acquisition of subordinate 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 II Accord on risk-based capital adequacy, which is currently being implemented. The banks provide the Central Bank with the information necessary for it to perform its supervisory functions, which include supervising the movements in the solvency or capital adequacy of banks.

The main principle of the Basel II Accord as implemented in Brazil is that a bank's own resources must cover its principal risks, including credit risk, market risk and operational risk.

The requirements imposed by the Central Bank and the CMN differ from the Basel II Accord in several 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 II Accord;
- require an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap operations;
- assign different risk weighting and credit conversion factors to some assets, including a risk weighting of 300% on deferred tax assets other than temporary differences;
- require calculation and report on the minimum capital and capital ratios on a consolidated basis;
- require banks to set aside a portion of their equity to cover operational risks as from July 1, 2008. The required portion of the equity varies from 12% to 15% of average income amounts from financial intermediation; and
- do not allow the use of external rating to calculate the minimum capital required. The Central Bank adopts a conservative approach to defining the capital demand of corporate exposures.

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 1 equity is represented by the net shareholders' equity plus the balance of positive income accounts and of the deposit in the linked account for making up for capital deficiency, less the amounts corresponding to the balances of negative income accounts, revaluation reserves, contingency reserves, and special profit reserves concerning mandatory dividends not distributed, preferred shares issued with a redemption clause and preferred shares with cumulative dividends, certain tax credits, deferred fixed assets (less the premiums paid on acquiring the investments), and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category and derivative financial instruments used for hedging cash flow.
- Tier 2 equity is represented by revaluation reserves, contingency reserves, special reserves of profits concerning mandatory dividends not distributed, in addition to preferred cumulative stock issued by financial institutions authorised by the Central Bank, preferred redeemable stock, subordinated debt and hybrid debt capital instruments and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category, and derivative financial instruments used for hedging the cash flow.

The total amount of Tier 2 equity is limited to the total amount of Tier 1 equity, provided that (i) the total amount of revaluation reserves is limited to 25% of the Tier 1 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 1 equity; and (iii) a 20% reduction shall be applied to the amount of the subordinated debt and preferred redeemable stock in Tier 1 capital annually for the five years preceding the 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 authorised by the Central Bank for inclusion in Tier 1 and Tier 2, issued by financial institutions authorised by the Central Bank, must be deducted from the reference capital. In addition, investment fund shares 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 or available to third parties for related transactions.

In addition to the minimum limits of realised 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.

Resolution No. 3,825, issued by the CMN on December 16, 2009, revoked CMN Resolution No. 3,674 of December 30, 2008. As a result, commencing April 1, 2010, provisions made by Brazilian banks to cover possible losses arising from credit transactions that exceed the requirements set forth by CMN Resolution No. 2,682 will no longer be eligible to be accounted for as Tier 1 Capital.

On June 28, 2010, the Central Bank issued Circular No. 3,498, establishing new rules for calculation of the daily amount of minimum capital maintained by financial institutions to avoid market risks. The new calculation rules will result in an increase in the financial institution's capital requirements.

Further, Circular No. 3,498 established a timeline for the implementation of such changes, providing for a gradual increase in the minimum capital requirements as of January 2012. Pursuant to the notice published by the Central Bank jointly with Circular No. 3,498, the new rules are intended to enhance the Brazilian Financial System in a manner that reflects international regulatory standards agreed by the G-20 and that stimulates developments in market risk management of financial institutions.

The Role of the Public Sector in the Brazilian Banking System

In light of the global financial crisis, on October 6, 2008, the Brazilian President enacted provisional regulations related to the use of internal reserves of foreign currencies by the Central Bank in order to provide financial institutions with liquidity by means of rediscount and loan transactions. Furthermore, on October 21, 2008, the Brazilian President enacted Provisional Measure No. 443 increasing the role of the public sector in the Brazilian banking system. These regulations authorise (i) Banco do Brasil and CEF to directly or indirectly acquire controlling and non-controlling participations in private and public financial institutions in Brazil, including insurance companies, social welfare institutions and capitalisation companies; (ii) the creation of Caixa Banco de Investimentos S.A., a wholly-owned subsidiary of CEF, with the purpose of conducting investment banking activities; and (iii) the Central Bank to carry out currency swap transactions with the central banks of other countries. Such provisional measure was converted into Law No. 11,908, enacted on March 3, 2009.

Additionally, through Resolution No. 3,656 of December 17, 2008, the CMN amended the by-laws of the FGC so that it can invest up to 50% of its net worth in: (i) the acquisition of credit rights of financial institutions and leasing companies; (ii) 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 (iii) linked transactions (*operações vinculadas*), pursuant to CMN Resolution No. 2,921 of January 17, 2002. The FGC may sell any assets acquired in transactions described in items (i), (ii) and (iii) of this paragraph.

Corporate Structure

Except for the cases set forth as exceptions in the law, financial institutions must be organised as corporations (*sociedades por ações*) and be subject to the provisions under the Brazilian corporations 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 risks. 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 loss provision as follows:

Loan category	Minimum provision
AA	0%
A	0.5%
B	1%
C	3%
D	10%
E	30%
F	50%
G	70%
H(1)	100%

Note:
(1) Banks must write off any loan within six months after it is ranked H.

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 within 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, net worth 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 Past Due(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

Number of Days Past Due[1]	Maximum Classification
151 to 180 days	G
More than 180 days	H

Note:
(1) The period may be doubled in the case of loans with maturity in excess of 36 months.

Financial institutions are required to determine, on a monthly basis, whether any loans must be reclassified as a result of these maximum risk classifications, and, if so, must adjust their loss provisions in accordance with the regulations relating to minimum provisions described above.:

In addition, 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:

- a 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 upon the client's authorisation); and
- prepare macro-economic analyses.

If the aggregate amount of a client's transactions exceeds R$5,000, the financial institution must provide the Central Bank with:

- the identity of such client;
- a breakdown of the client's transactions, including any guarantees rendered by the bank with respect to his/her obligations; and
- information regarding the client's credit risk classification, based on the credit risk classification policy described above.

For those transactions whose total value is equal to or less than R$5,000, the financial institution must inform the Central Bank of all transactions for the client.

In addition to that, the CMN, through Resolution No. 3,721, dated April 30, 2009, established new standards related to the internal credit risk management structure of financial institutions, which shall be adopted by October 29, 2010.

Anti-money Laundering Law

Pursuant to the Brazilian anti-money laundering law, financial institutions must:

- identify and maintain up-to-date records regarding their clients;
- maintain internal controls and records;
- review transactions or proposals with characteristics which may indicate the existence of a money laundering crime;
- keep records of transactions involving electronic transfers and checks for a period of at least five years;
- keep records of transactions that exceed R$10,000 in a calendar month, or reveal a pattern of activity that suggests a scheme to avoid identifications, for a period of at least five years;
- keep records of transfers involving electronic transfers, checks, administrative checks or payment orders that exceed R$1,000; and
- inform the appropriate authorities (without the client's knowledge) of any suspicious transaction or set of transactions performed by individuals or entities pertaining to the same group of companies.

In addition, the Brazilian anti-money laundering law created the Financial Activity Control Council. The main role of the Financial Activity Control Council is to promote cooperation among the Brazilian governmental bodies responsible for implementing national anti-money laundering policies, in order to stem the performance of illegal and fraudulent acts.

Furthermore, the Central Bank has issued, on July 24, 2009, Circular No. 3,461 ("Circular No. 3,461"), which consolidates the rules applicable to money laundering prevention and introduces some new rules. Such new rules aim mainly at providing more detail on criteria to be observed by financial institutions when applying anti-money laundering procedures (especially with respect to client identification, record keeping and monitoring of transactions) and conforming Brazilian rules to international standards (for example, with rules regarding correspondent banking and politically exposed individuals and including the definition of client).

Politically-Exposed Individuals

According to Circular No. 3,461, which revoked Circular No. 3,339 of December 22, 2006, and Circular No. 2,852 of December 3, 1998, as amended, which sets out certain procedures to be adopted in the prevention and avoidance of activities relating to the crimes described in Law No. 9,613 of March 3, 1998, financial institutions and other institutions authorised to operate by the Central Bank must take certain actions to establish business relationships with, and to follow-up on financial transactions of clients who are deemed to be politically-exposed individuals.

For purposes of such regulation, politically-exposed individuals include public agents as well as the immediate family members, spouses, life partners and stepchildren of public agents. Under such regulation, a public agent is defined as a person who occupies or has occupied a relevant public office or position over the past five years in Brazil or other countries, territories and foreign jurisdictions. The five-year term runs retroactively from the initial date of the business relationship or from the date when the client became a politically-exposed individual.

Such institutions must also adopt reinforced and continuous surveillance actions with regard to business relationships with politically-exposed individuals, paying special attention to proposed relationships and transactions of such individuals originating from countries with which Brazil has a large volume of financial and commercial transactions, common borders or ethnic, language or political proximity.

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*).

However, the Central Bank is authorised to require financial institutions to provide information generally protected by bank secrecy without judicial authorisation within the performance of its supervisory powers, as long as they have strong circumstantial evidence that a client has engaged in tax evasion. Such evidence may be represented by, among others:

- declarations by the client 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 invalid.

Additionally, in accordance with Administrative Ruling No. 811/2008 of the Brazilian Revenue Service, financial institutions must report certain information relating to transactions carried out in Brazil, such as payments and deposits, among others.

Regulations Affecting Liquidity in the Financial Market

Reserve and Other Requirements

The Central Bank currently imposes several requirements on financial institutions. Financial institutions must deposit 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 that must be deposited with the Central Bank.

In light of the global financial crisis, the CMN and the Central Bank enacted measures to modify Brazilian banking laws in order to provide the financial market with greater liquidity, including:

- establishing the amount that may be discounted from the time deposits reserve requirement of R$2 billion;
- reducing the rate applicable on additional time deposit and demand deposit reserve requirements from 8% to 4%, and 8% to 5%, respectively;
- providing that financial institutions may deduct the amount of foreign currency acquisition transactions with the Central Bank from the reserve requirements on interbank deposits of commercial leasing companies; and
- reducing the rate of compulsory demand deposits from 45% to 42%.

In October 2008, the Central Bank enacted further regulations, permitting financial institutions that acquire credit portfolios from small and mid-sized financial institutions (i.e., those institutions with a reference equity of up to R$7 billion on August 31, 2008) to deduct the amount of the acquisition from up to 70% of the reserves and compulsory deposits that such financial institution must maintain with the Central Bank. Acquisitions of credit portfolios from the same small/mid-sized financial institutions are limited to 20% of the total amount of credit portfolios acquired in order to enable such deduction. Such regulations were amended in September 2009 and now apply only to small financial institutions with a reference equity of up to R$2.5 billion in December 2008.

Financial institutions may also deduct the reserve requirement and clearing balance requirement on time deposits from the respective amounts disbursed for the acquisition of certain (i) credit rights resulting from leasing, (ii) fixed-income instruments issued by private non-financial entities, (iii) assets owned by FIDCs, (iv) shares in FIDCs organised by the FGC, (v) shares of exclusive multimarket investment funds and fixed income investment funds owned by the FGC, with portfolios mainly consisting of time deposits, bills of exchange and leasing bills issued by financial conglomerates or financial institutions with the Tier 1 portion of its reference equity of up to R$2.5 billion in December 2008, and (vi) interbank deposits of unrelated financial institutions.

On October 24, 2008 the Central Bank enacted regulations permitting financial institutions to deduct the amount of voluntary installments of the ordinary contribution to the FGC from compulsory demand deposits.

On October 6, 2008, the Brazilian President ratified provisional measures allowing 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 the rediscount operations and the loans in foreign currencies will be for up to 360 days. After such term, the financial institution must repurchase its assets. The repurchase price of the rediscount operation will correspond to the purchase price with interest charged at the SELIC rate plus 4% per annum. The interest on foreign currency loans will be the LIBOR for the relevant foreign currency plus a percentage fixed by the Central Bank depending on market conditions.

The Central Bank will only acquire credit portfolios and debentures issued by non-financial institutions rated as AA, A or B, according to Central Bank rules. The financial institutions must provide the Central Bank with guarantees that may vary from 120% to 170% of the credit portfolio value, depending on the credit portfolio risk rate, or guarantees that may vary from 120% to 140% of the debenture value, depending on its risk rate. In relation to the foreign currency loans, financial institutions must also provide the Central Bank with guarantees which may vary from 100% to 140% of the value of the loan.

In addition, on the rediscount operations, the Central Bank may impose the following measures on financial institutions: (i) the obligation to pay additional amounts in order to meet the risk that financial institutions may be exposed to; (ii) the adoption of more restrictive operational limits; (iii) the restrictions on certain transactions or operational practices; (iv) the rearrangement of the adequate liquidity level of the financial institution; (v) the suspension of dividends higher than the minimum required by law; (vi) the prohibition of acts that may result in an increase of the remuneration of management; (vii) the prohibition of the development of new lines of business and (viii) the prohibition of sales of assets.

Below are some of the current types of reserves:

Demand Deposits

Pursuant to Circular No. 3,274, dated February 10, 2005, as amended by Circular No. 3,323, dated May 30, 2006, and Circular No. 3,497, dated June 24, 2010, enacted by the Central Bank, banks and other financial institutions are generally required, from July 2010, to deposit 43% 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 realisation 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 the Monday of one week and ends on the Friday of the following week. This requirement will increase to 44% from July 2012 and 45% from July 2014.

Savings Accounts

Currently, pursuant to Circular No. 3,093 of March 1, 2002, as amended by Circular No. 3,128 of June 24, 2002 and Circular No. 3,130 of 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 *Sistema Brasileiro de Poupança e Empréstimo* ("SBPE") must be used to finance residential real estate or the housing construction sector, except for specific situations that arose 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 of October 11, 2002, as amended by Resolution No. 3,843 of March 10, 2010, the CMN established an additional reserve requirement of 10% on the savings account funds captured by the entities of SBPE. At the end of each day, the balance of the financial institution's account must be equivalent to 100% of the required deposit in each week. Central Bank Circular No. 3,426 of December 19, 2008 ("Circular No. 3,426"), allows financial institutions to use securities issued by the Brazilian government to satisfy such additional reserve requirement.

Time Deposits

Pursuant to Circular No. 3,091 of March 1, 2002, as amended by Circular No. 3,127 of June 14, 2002, Circular No. 3,262 of November 19, 2004, Circular No. 3,427 of December 19, 2008, Circular No. 3,468 of September 28, 2009, and Circular No. 3,513 of December 3, 2010 enacted by the Central Bank, 13.5% of financial institutions' time deposits and certain other amounts in excess of R$2 billion have to be deposited in an account with the Central Bank. At the end of each day, the amount of such securities shall be equivalent to 100% of the reserve requirement.

According to recent rules enacted by the Central Bank, financial institutions may deduct from time deposits credits assigned to them by other financial institutions up to 70% of the total compulsory reserves. For this purpose, the assignor shall have a maximum reference capital equal to R$7 billion. In addition, the credits assigned by each financial institution shall be limited to 20% of the total deducted amount.

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 by Circular No. 3,426 of December 19, 2008, 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 above-mentioned entities are required to deposit into an interest-bearing account with the Central Bank, on a weekly basis, the cash equivalent to the sum of the following amounts in excess of R$1 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. At the end of each day, the balance in such account must be equivalent to 100% of such additional reserve requirement.

Foreign Currency and Gold Exposure

Pursuant to CMN Resolution No. 3,488, the total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30% of its reference shareholders' equity.

Pursuant to Circular No.3,520 dated January 6, 2011, 60% over the final sale day trade of foreign exchange of financial institutions (deducted from the lower of (i) US$3,000,000,000.00 or (ii) the arithmetic average of amounts corresponding to the Level I of the Reference Net Worth of financial institutions, calculated in accordance with Circular No.3,520) are generally required to be deposited in an account in the Central Bank. Financial institutions which amount to be deposited is lower than R$100,000.00 are exempt from such deposit.

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 less 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.

Guarantees

The Central Bank at times has established a reserve requirement that a financial institution deposit in a non-interest-bearing account with the Central Bank an amount equivalent to 60% of the total amount of guarantees given by such financial institution in relation to loans and financings entered into by non-financial legal entities and individuals. However, such percentage was reduced to zero by Central Bank Circular No. 2,704 of July 3, 1996.

Reinvestment of Deposits Linked to Interbank Rates

Pursuant to CMN Resolution No. 2,172, dated June 30, 1995 (further revoked by CMN Resolution No. 3,454, dated May 30, 2007), financial institutions were permitted to accept deposits with interest calculated by reference to an Average Interbank Interest Rate (*Taxa Básica Financeira*), subject to a reserve requirement and provided that such deposits are made for a minimum of 90 days.

In addition, in the past, 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.

Taxation of Financial Transactions

Financial transactions in Brazil are generally subject to income tax and to IOF.

The income tax assessed on the income received on financial transactions by Brazilian residents generally depends on: (i) the type of investment (fixed or variable income, as defined by Brazilian law;

variable income investments usually being treated more favorably); and (ii) the term of the investment (long-term investments usually have a more favorable treatment). The income tax assessed on income deriving from financial transactions (a) is considered for Brazilian legal entities as a prepayment of the corporate income tax due by them and (b) is exclusive 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 favourable taxation regime.

Tax on Financial Transactions (IOF)

IOF is a tax levied on foreign exchange, securities/bonds, 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 as of the latter of (i) the first day of the year following their publication and (ii) 90 days after their publication. An Executive Decree increasing the IOF rate will therefore take effect from its publication date. Pursuant to Decree No. 6,306 of December 14, 2007, as amended ("Decree No. 6,306"), foreign exchange transactions are subject to the IOF. Under the IOF regulations currently in force, the Minister of Finance is empowered to establish the applicable IOF rate. Such IOF rate can be increased at any time up to a rate of 25%. The abovementioned Decree sets out that the current general IOF is 0.38%, although there are some exceptions, such as:

(i) foreign exchange transactions in connection with 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 the CVM, in which case the rate is 0%;

(vi) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial market executed on the BM&FBOVESPA in accordance with the rules set forth by the CVM (except for derivative transactions with pre-defined earnings), in which case the rate is 2%;

(vii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazil capital market, including the acquisition of shares in public offers and other similar transactions, in which case the rate is 2%;

(viii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial and capital markets, other than transactions described in items (vi) and (vii) above, among others, in which case the rate is 6%;

(ix) foreign exchange transactions for the return (outflow) of funds related to the investments made by non-residents in the Brazilian financial and capital markets mentioned in items (vi), (vii) and (viii) above, in which case the rate is 0%.

(x) foreign exchange transactions for the remittance of interest on net equity and dividends earned by foreign investors, in which case the rate is 0%;

(xi) foreign exchange transactions performed between financial institutions, in which case the rate is 0%;

(xii) 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%;

(xiii) foreign exchange transactions made by financial institutions for purposes of transferring within Brazil resources obtained abroad, in which case the rate is 0%;

(xiv) 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

(xv) 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%; and

(xvi) foreign exchange transactions for the inflow and outflow of funds related to external credits, in which case the rate is 0%.

IOF tax may also be levied on issuances of bonds or securities, including transactions carried out on Brazilian stock, futures or commodities exchanges ("IOF/*Títulos*"). The rate of IOF/*Títulos* tax with respect to many securities transactions is currently 0%, although certain transactions may be subject to specific rates. The Minister of Finance, 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/*Títulos* is assessed on gains realised in transactions with terms of less than 30 days consisting of the sale, assignment, repurchase or renewal of fixed-income investments or the redemption of shares of mutual funds or investment pools. The maximum rate of IOF/*Títulos* payable in such cases is 1% per day, up to the amount equal to the gain made on the transaction, and decreases with the duration 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;

1. transactions carried out by mutual funds or investment pools themselves;
2. transactions carried out in the equity markets, including those performed in stock, futures and commodities exchanges and similar entities;
3. redemptions of shares in equity funds; and
4. 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 generally assessed 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 credit transactions.

In addition, IOF tax is levied on insurance transactions at the rate of: (i) 0% 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.

Taxation of Brazilian Corporations

Brazilian companies' income tax is made up of two components, a federal income tax and social contribution on taxable profits, which is known as the "Social Contribution on Net Profits". In turn, the federal income tax includes two components: a federal income tax and an additional income tax. 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). The social contribution on net profits is currently assessed at a rate of 15% for financial institutions pursuant to Law No. 11,727.

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, Provisional 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, unless the Brazilian entity is liquidated before the date of its year-end balance sheet, in which case the profits are taxed at the time of its liquidation. Dividends deriving from profits generated as from January 1, 1996 are not subject to withholding income tax when paid, nor to corporate income tax or individual income tax on the person receiving the dividend. However, as the payment of dividends is not tax deductible for the company distributing them, there is an alternative regime for shareholder compensation called "interest on equity" which allows companies to deduct any interest paid to shareholders from net profits for tax purposes.

Law No. 9,249 dated December 26, 1995 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". 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:

- 50% of the net income (before the federal income tax provision and the deduction of the interest amount attributable to shareholders) related to the period in respect of which the payment is made; or

- 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.

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 "tax haven" jurisdiction. These payments may be qualified, at their net value, as part of any mandatory dividend.

Tax losses carried forward are available for offset 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.

Two federal contributions are imposed on the gross revenues of corporate entities: the PIS and the COFINS.

In May 2003, the Brazilian Congress approved an increase in the rate of COFINS, payable by the financial services sector. Since September 2003, the PIS and COFINS have been imposed over financial institutions' gross revenues at a combined rate of 4.65%, but some specific costs, such as funding cost, are authorised to be deducted from the PIS and COFINS tax bases. The COFINS and the PIS rate for some non-financial companies have increased from 3% to 7.6% and from 0.65 to 1.65%, respectively, resulting in a combined rate of 9.25%, although certain deductions for expenses are authorised (non-cumulative PIS and COFINS regime). Pursuant to Section 1 of Decree No. 5,442 of September 5, 2005, the PIS and COFINS non-cumulative rates applicable to financial revenues received by legal entities (non-financial institutions) is zero per cent.

Until January 1, 2005, income arising from investments in fixed income funds and from other fixed income investments was subject to withholding tax at a rate of 20%. However, Law No. 11,033 of December 21, 2004 amended the regime, determining that the withholding taxation is to be based on the duration of the investment as follows:

(i) 22.5% for investments of 180 days or less;

(ii) 20% for investments of between 181 and 360 days;

(iii) 17.5% for investments of between 361 and 720 days; and

(iv) 15% for investments held for more than 720 days.

Income earned from stock market investments is subject to withholding tax at a rate of 0.005% on the sale price at the time of the investment liquidation. Moreover, income tax shall levy at the rate of 15% on the gains of the operation, deducting the 0.005% previously withheld. Income earned from the stock market investment or similar fund is subject to withholding tax at a 15% tax rate.

In addition, as mentioned above, according to Law No. 10,833, capital gains realized on the disposition of assets located in Brazil by non-residents, whether to other non-residents or Brazilian residents and whether made outside of or within Brazil, are subject to taxation in Brazil.

Law No. 12, 249 of June 11, 2010

Provisional Measure No. 472 of December 15, 2009, converted into Law No. 12, 249, introduced thin capitalisation rules in the Brazilian tax system, imposing tax deductibility restrictions in respect of interest due from Brazilian legal entities under loans granted by:

(i) related parties that are resident or domiciled outside Brazil, according to the definition provided under Brazilian tax law for purposes of transfer pricing; and

(ii) an individual or legal entity that is resident or domiciled in a tax haven or that is under a favourable tax regime.

In situation (i) above, the interest expense can only be deductible for IRPJ and CSLL purposes when, at the time such interest accrues, the following conditions are satisfied:

- the debt amount is not higher than twice the value of the participation of the related party in the net equity of the Brazilian legal entity, if the foreign related party holds equity interest in the Brazilian legal entity; or
- the debt amount is not higher than twice the net equity of the Brazilian legal entity if the foreign related party does not hold any equity interest in such Brazilian legal entity; and

- in both cases, the total amount of debt with related parties located abroad is not higher than twice the total amount of participations of all related parties in the net equity of the Brazilian legal entity.

In situation (ii) above, the interest expense can only be regarded as tax deductible when the sum of all debt transactions with individuals or legal entities resident of or domiciled in a tax haven jurisdiction or under a privileged tax regime does not exceed 30% of the net equity of the Brazilian legal entity.

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

In 1990, the Brazilian Consumer Defense Code (*Código de Defesa do Consumidor*) was enacted to establish rigid rules to govern the relationship between product and service providers and consumers and to protect final consumers. In June 2006, the Brazilian Supreme Court of Justice ruled that the Brazilian Consumer Defense Code also applies to transactions between financial institutions and their clients. Financial institutions are also subject to specific regulation of the CMN, which specifically regulates the relationship between financial institutions and their clients. CMN Resolution No. 3,694 dated March 26, 2009, and by CMN Resolution No. 3,518 of December 6, 2007, as amended by Resolution No. 3,693, dated March 26, 2009, established new procedures with respect to the settlement of financial transactions and to services provided by financial institutions to clients and the public in general, aiming at improving the relationship between market participants by fostering additional transparency, discipline, competition and reliability on the part of financial institutions. The new regulation consolidates all the previous related rules. The main changes introduced by the Consumer Defense Code are described below:

- financial institutions must ensure that clients are fully aware of all contractual clauses, including responsibilities and penalties applicable to both parties, in order to protect the counterparties against abusive practices. All queries, consultations or complaints regarding agreements or the publicity of clauses must be promptly answered, and fees, commissions or any other forms of service or operational remuneration cannot be increased unless reasonably justified (in any event these cannot be higher than the limits established by the Central Bank);

- financial institutions are prohibited from transferring funds from their clients' various accounts without prior authorisation;

- financial institutions cannot require that transactions linked to one another must be carried out by the same institution. If the transaction is dependent on another transaction, the client is free to enter into the latter with any financial institution it chooses;

- financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services. Financial institutions are liable for any damages caused to their clients by their misrepresentations;

- interest charges in connection with personal credit and consumer-directed credit must be proportionally reduced in case of anticipated settlement of debts;

- clients have the right to withdraw up to R$5,000 upon request. For higher amounts, clients are required to give the financial institution at least 24 hours' prior notice; and

- adequate treatment for the elderly and physically disabled.

Claims Department (*Ouvidoria*)

Our claims department (*ouvidoria*) complies with the regulatory requirements of CMN Resolution 3,849 dated as of March 25, 2010. Our claims department is responsible for monitoring all our clients' claims, by receiving and addressing these claims and suggesting any eventual solutions. Claims are monitored on a daily basis and our Internal Audit Committee, Audit Committee and Executive Officers are informed on the status of all claims received by our claims department on a semi-annual basis.

Banking Secrecy

Financial institutions must maintain the secrecy of their banking operations and services provided to their clients. According to Supplementary Law No. 105 of January 10, 2001 ("Supplementary Law No. 105"), 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) disclosure of information with the express consent of the interested parties; (ii) sharing of information on credit history between financial institutions for record purposes; (iii) 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) occurrence or suspicion that criminal or administrative illegal activities have been performed. Supplementary Law No. 105 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities, provided that a specific treaty in that respect must have been previously executed.

Auditors of the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances, provided it obtains permission from the client or by a court order.

Bank Failure

Intervention, Administrative Liquidation and Bankruptcy

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. Administrative Liquidation

An administrative liquidation of any financial institution (with the exception of public financial institutions controlled by the Brazilian government, such as the Bank) may be carried out by the Central Bank if it can be established that:

- the 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 authorisation, 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 intervention by the Central Bank 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 objective of the RAET is to assist with maintaining the solvency and financial conditions of the institution under special administration. 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 may cease upon the occurrence of any of the following events: (a) acquisition by the Brazilian government of control of the financial institution, (b) corporate restructuring, merger, spin-off, amalgamation or transfer of the controlling interest of the financial institution, (c) decision of the Central Bank or (d) declaration of extra-judicial liquidation of the financial institution.

Repayment of Creditors in Liquidation

In case of bankruptcy or liquidation of a financial institution, certain credits, such as credits for salaries up to 150 minimum wages (*salários mínimos*) per labour creditor, among others, will have preference over any other credits.

The FGC 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) and a maximum amount of R$20 million of deposits for banks with deposits, up to R$5 billion per bank. The Credit Insurance Fund is funded principally by mandatory contributions from all Brazilian financial institutions that work with client deposits. The payment of unsecured credit and client 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.

In addition, two laws, introduced in 1995, affect the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. First, Law No. 9,069 of June 29, 1995 confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. Such deposits may not be attached in actions by a bank's general creditors for the repayment of debts. Second, Law No. 9,450 of March 14, 1997 requires that the assets of any insolvent bank funded by loans made by foreign banks under trade finance lines be used to repay amounts owing under such lines in preference to those amounts owing to the general creditors of such insolvent bank.

Cancellation of Banking License

The Banking Reform Law, together with specific regulations enacted by CMN Resolution No. 1,065 of December 5, 1985, provides that some penalties can be imposed upon financial institutions in certain situations. Among them, a financial institution may be subject to the cancellation of its license to operate and/or to perform exchange transactions. Such cancellations are applicable under certain circumstances established by the Central Bank as, for instance, in case of repeated: (a) violation of the Central Bank regulations by the management of the financial institution, or (b) negligence of the financial institution in pursuing adequate banking practices concerning its exchange activities.

In addition, the Central Bank may, according to CMN Resolution No. 3,040 of November 28, 2002, cancel the authorisation to operate granted to the Bank if one or more of the following situations are verified at any time: (a) operational inactivity, without acceptable justification, (b) the institution is not located at the address provided to the Central Bank, (c) failure to send to the Central Bank for over four months, without acceptable justification, the financial statements required by the regulations in effect, and/or (d) failure to observe the timeframe for commencement of activities. The cancellation of a banking license may only occur after the appropriate administrative proceeding is carried out by the Central Bank.

Decree-Law No. 2,321 of February 25, 1987 ("Decree Law No. 2,321"), which regulates the RAET, provides that, if such provisional system is decreed, the individuals or legal entities that have a control relationship with the administered institution shall be held jointly liable with the former management for the obligations assumed thereby, irrespective of good or bad faith thereunder. Such joint liability is limited to the overall uncovered liabilities of the institution according to a balance sheet prepared as at the date when the provisional administration system is ordered.

Furthermore, law No. 9,447 of March 14, 1997, provides for the liability of controlling persons of the financial institutions under intervention, extrajudicial liquidation or RAET ("Law No. 9,447/97").

Law No. 9,447/97 determines that the controlling persons of a financial institution under extrajudicial liquidation or intervention are also jointly and severally liable for the obligations assumed by such institution. This same law further establishes that the assets of individuals or legal entities that exercise direct or indirect control over financial institutions under intervention, extrajudicial liquidation or temporary regulatory receivership must be rendered unavailable for disposal or encumbrance in any way, until their liability is eventually verified.

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 for International Settlements. 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, clearing houses have ordinary credits against any participant under bankruptcy laws.

The systems consisting of 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 clearing houses 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 unwindings;

- adopt system controls and test them periodically;

- promptly provide to the institution's management available information and analyses regarding any liquidity risk identified, including any conclusions or remedies adopted; and

- develop contingency plans for handling liquidity crisis situations.

Foreign Investment and the Brazilian Constitution

Foreign Banks

The Brazilian Constitution prohibits foreign financial institutions from establishing new branches in Brazil, except when duly authorised by the Brazilian government (by means of a presidential decree). A foreign financial institution duly authorised 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 authorisation from the Brazilian government.

Foreign investors 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 authorisation.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificates representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an amended and restated Agency Agreement (as amended or supplemented as at the Issue Date, the "Agency Agreement") dated December 8, 2010 between the Issuer, The Bank of New York Mellon as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "Deed of Covenant") dated December 8, 2010 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents, the principal paying agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Fiscal Agent", the "Paying Agents" (which expression shall include the Fiscal Agent), the "Registrar", the "Transfer Agents", the "Principal Paying Agent", and the "Calculation Agent(s)". The Noteholders (as defined below), the holders of the interest coupons (the "Coupons") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "Talons") (the "Couponholders") and the holders of the receipts for the payment of instalments of principal (the "Receipts") relating to Notes of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "Conditions"), "Tranche" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. Form, Denomination and Title

The Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the

Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No Exchange of Notes and Transfers of Registered Notes

(a) *No Exchange of Notes*: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) *Transfer of Registered Notes*: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes*: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(d)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Transfer Free of Charge*: Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) *Closed Periods*: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. Status

The Notes, the Receipts and Coupons relating to them constitute (subject to Condition 4) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes, the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

4. Negative Pledge

The Issuer undertakes that, so long as any of the Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement) it will not create any lien, pledge or other charge upon any of its present or future property, rights and assets as security for any notes or bonds denominated in a currency other than the lawful currency of Brazil which are either listed on a stock exchange or capable of being so listed unless the Notes are secured rateably by such lien, pledge or charge.

5. Interest and other Calculations

(a) *Interest on Fixed Rate Notes*: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest

Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(I) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) *Zero Coupon Notes*: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) *Dual Currency Notes*: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) *Partly Paid Notes*: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) *Accrual of Interest*: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) *Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding*:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(h) *Calculations*: The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(i) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts: The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, the Principal Paying Agent, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) *Definitions*: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "TARGET Business Day") and/or

(iii) in the case of a currency and/or one or more Additional Business Centers, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centers;

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual - ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

Day Count Fraction =	$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$
	360

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v)if "30E/360**"** or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

Day Count Fraction =	$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$
	360

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

(vi) if "30E/360 (ISDA)" is specified hereon the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =	$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$
	360

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if "Actual/Actual-ICMA" is specified hereon:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date;

"Determination Date" means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"Interest Amount" means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be;

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon;

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon;

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

"Reference Rate" means the rate specified as such hereon;

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon;

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated; and

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) *Calculation Agent*: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption*:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified hereon) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(e) or 6(f), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(e) or 6(f), each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) *Early Redemption*:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or 6(d) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or 6(d) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or 6(d) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) *Redemption for Taxation Reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b)) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (I) in excess of the additional amounts the Issuer would be obliged to pay if payments were subject to withholding or deduction at a rate of 15% (the "Minimum Withholding Level") as a result of any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series and (II) in the case of Notes issued by the Bank acting through its Cayman Islands Branch, as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Issuer shall not have the right to redeem the Notes in the event that it becomes obliged to pay additional amounts which are less than the additional amounts payable at the Minimum Withholding Level.

(d) *Redemption for Change of Control of the Issuer*: The Issuer shall, at the option of the holder of any Note, upon the holder giving not less than 15 nor more than 30 days' notice to the Issuer redeem such Note on the Redemption Date at its Early Redemption Amount (as described in Condition 6(b)) (together with interest accrued to the date fixed for redemption) if the Issuer ceases to be directly or indirectly owned and controlled by the Members of the Dayan Family as to at least 51% of both of its voting and total share capital (such event, a "Change of Control").

To exercise such option, the holder must deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent within the notice period. No Note deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. The Issuer will give irrevocable notice (a "Change of Control Notice", which shall be published in accordance with Condition 14) to the Noteholders of the occurrence of a Change of Control not less than 15 nor more than 30 days after its occurrence (or such other notice period as may be specified hereon).

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meaning set out below:

"Members of the Dayan Family" means Mr. Ibrahim Dayan and Mr. Sasson Dayan and their respective children and grandchildren, including, in each case, the estate of such person pending distribution thereof.

"Redemption Date" means the date for redemption specified in the Change of Control Notice, being a date not less than 30 nor more than 45 days after the date of the Change of Control Notice or, in the event that no Change of Control Notice is given by the Issuer, the next Interest Payment Date occurring not less than 15 nor more than 30 days after the Change of Control.

(e) *Redemption at the Option of the Issuer*: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) *Redemption at the Option of Noteholders*: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) *Partly Paid Notes*: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(h) *Purchases*: The Issuer and any of its subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(i) *Cancellation*: All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) *Bearer Notes*: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(e)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a check payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) *Registered Notes*:

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) *Payments in the United States*: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments Subject to Laws*: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Appointment of Agents*: The Fiscal Agent, the Paying Agents, the Registrar, the Principal Paying Agent, the Transfer Agents and the Calculation Agent(s) initially appointed by the Issuer and their respective specified offices are listed below:

Fiscal Agent, Paying Agent, Transfer Agent and Calculation Agent

The Bank of New York Mellon
International Corporate Trust
101 Barclay Street – Floor 4E
New York, NY 10286

Paying Agent and Transfer Agent

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL

Irish Paying Agent

The Bank of New York Mellon (Ireland) Limited
Hanover Building,
Windmill Lane
Dublin 2
Ireland

Registrar

The Bank of New York Mellon
International Corporate Trust
101 Barclay Street – Floor 4E
New York, NY 10286

Principal Paying Agent

The Bank of New York Mellon Trust (Japan), Ltd.
Fukoku Seimei Building, 6F 2-2-2
Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011
Japan

The Fiscal Agent, the Paying Agents, the Registrar, the Principal Paying Agent, the Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Principal Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a Principal Paying Agent that is a Japanese tax resident, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) if and for so long as any Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent with a specified office in the place required by such listing authority, stock exchange and/or quotation system and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c).

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Unmatured Coupons and Receipts and unexchanged Talons*:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are not to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Bearer Note or Certificate representing it, as the case may be.

(g) *Talons*: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) *Non-Business Days*: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Additional Financial Centers" hereon, and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

(i) *Currency Constraint*: If specified hereon that this Note is a Currency Constraint Note, payments by the Issuer on or in respect of this Note and the Receipts and Coupons relating to it are subject to Brazilian foreign exchange controls and restrictions and, notwithstanding the provisions of Conditions 7(a) to (h), the following provisions apply:

(i) If a Relevant Currency Constraint shall have occurred, the Issuer shall give to the Fiscal Agent, within two São Paulo Business Days (as defined below) after such event, a certificate signed by two authorised signatories certifying the existence of the Relevant Currency Constraint. The Issuer shall, as soon as practicable thereafter, give notice of such certification and its contents in accordance with Condition 14 and shall immediately appoint a Brazilian Paying Agent with a specified office in São Paulo, Brazil. In this event, any Noteholder may, for a period of 90 days after the publication of such notice (the "Election Period"), elect to exchange (such exchange, the "Currency Constraint Exchange") this Note (the "Original Note") and the related unmatured Receipts and Coupons and unexchanged Talons for an equivalent nominal amount of Exchanged Notes and related unmatured Receipts and Coupons and unexchanged Talons. To make such election, the holder must deposit the Original Note (together with all related unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed notice of election ("Election Notice") in the form obtainable from any Paying Agent (appropriately completed by such holder) within the Election Period. No Original Note so deposited and election made may be withdrawn without the prior consent of the Issuer. All duly completed and valid Election Notices received by the Paying Agents within the Election Period shall, on receipt, be deemed to have been received on the first day of the Election Period.

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Exchanged Note" means a Note with terms and conditions identical to the terms and conditions of the Original Note for which it was exchanged, save that:

(A) all payments due in respect of such Exchanged Note and related Receipts and Coupons shall be made by the Issuer, to the extent permitted by Brazilian law, in the lawful currency of Brazil when due (the "Due Date") or, where the Due Date occurs before the date of the Currency Constraint Exchange (the "Currency Constraint Exchange Date"), as soon as practicable after the Currency Constraint Exchange Date and without any additional amount in compensation for late payment against presentation (and, if applicable, surrender) of such Exchanged Note or related Receipt or Coupon in accordance with Condition 6(a) except that payments shall be made by transfer to an account in the lawful currency of Brazil maintained by the holder with a bank in São Paulo, Brazil; and

(B) the amount of any payment due in respect of such Exchanged Note and related Receipts and Coupons shall be that amount in the lawful currency of Brazil, as determined by the Brazilian Paying Agent, having regard to the provisions of this Condition 7(i), which would be required to purchase the amount of such payment in the Specified Currency at the rate of exchange shown on the Brazilian Central Bank computer information system, under the title SISBACEN PTAX-800, Option 5 on the São Paulo Business Day prior to the Due Date (or, where the Due Date precedes the Currency Constraint Exchange Date, on the São Paulo Business Day prior to the date of payment), provided that if no such rate of exchange is available, the applicable rate of exchange shall be an average of the Brazilian currency exchange rates on such São Paulo Business Day for the purchase of the Specified Currency notified to the Brazilian Paying Agent by four leading Brazilian Banks selected by the Brazilian Paying Agent in its discretion;

"Relevant Currency Constraint" means any law, regulation, directive or communication imposed or issued by the Government of Brazil or the Brazilian Central Bank or any other competent authority in Brazil imposing foreign exchange controls or other restrictions or any refusal to act or delay in acting by any such party, which has the effect of prohibiting, preventing or delaying the remittance of the Specified Currency (whether in respect of principal, interest, additional amounts payable pursuant to these Conditions or otherwise) to or by the Principal Paying Agent in respect of the Original Notes when due; and

"São Paulo Business Day" means a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets are open for business in São Paulo, Brazil.

(ii) On termination of the Relevant Currency Constraint, Exchanged Notes and related unmatured Receipts and Coupons and unexchanged Talons shall be exchanged for an equivalent amount of Original Notes and related unmatured Receipts and Coupons and unexchanged Talons provided that, prior to such exchange, all payments due in respect of the Original Notes and related Receipts and Coupons and all payments due in respect of the Exchanged Notes and related Receipts and Coupons shall have been made by the Issuer. Such exchange shall be effected by the holders of Exchanged Notes presenting and surrendering such Exchanged Notes (together with all related unmatured Receipts and Coupons and unexchanged Talons) at any time after such termination at the specified office of any Paying Agent.

(iii) During the period in which a Relevant Currency Constraint is in effect, the Issuer shall take such steps as are legal under the laws and regulations of Brazil to make payments in respect of Original Notes and related Receipts and Coupons not exchanged for Exchanged Notes and related Receipts and Coupons (if any) in the Specified Currency from Brazil, whether to put into effect the terms of any restructuring, refinancing or rescheduling arrangements relating to such payments or otherwise, as promptly as such laws and regulations permit.

(iv) Notwithstanding anything in this Condition 7(i) to the contrary, during the period in which a Relevant Currency Constraint is in effect, any payments of principal of (but not interest on) the Original Notes which are not paid by reason of the imposition of such Relevant Currency Constraint shall bear interest in the Specified Currency at the Rate of Interest until the Relevant Currency Constraint is terminated or, if earlier, such sums are duly paid in full, provided that the Issuer complies at all times with its obligations set forth in this Condition 7(i).

(v) Notwithstanding anything in this Condition 7(i) to the contrary, no Noteholder or Couponholder shall be precluded by this Condition 7(i) from presenting any Note, Receipt or Coupon for payment at a time when a Relevant Currency Constraint is in effect.

(vi) It shall not be an Event of Default under these Conditions to the extent that any event described in Conditions 10(a) and 10(b) shall have occurred with respect to the Issuer solely as a result of a Relevant Currency Constraint, provided that the Issuer shall have fully complied with its obligations under this Condition 7(i). The Issuer shall not be in breach of any payment obligation in the Specified Currency relating to the Notes or the Coupons to the extent payment in the Specified Currency is not made by reason solely of such Relevant Currency Constraint; and no Noteholder or Couponholder shall be entitled to take action against the Issuer to enforce any rights against the Issuer which such Noteholder or Couponholder would, but for the provisions of this Condition 7(i), have had in respect of such payment.

(j) *Payments to Principal Paying Agent*: Every payment of any sum due in respect of the Notes made to the Principal Paying Agent as provided in the Agency Agreement shall, to such extent, be a good discharge to the Issuer. The Issuer will indemnify each Noteholder against any failure on the part of the Principal Paying Agent or any Agent to pay any sum due in respect of the Notes and will pay such sum to such Noteholder on demand. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any judgment or order. No proof or evidence of any actual loss may be required.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature (collectively, the "Taxes") imposed by or within Brazil or any authority therein or thereof having power to tax in the case of Notes issued by the Bank acting through its principal office, or by or within the Cayman Islands or any authority therein or thereof having power to tax in the case of Notes issued by the Bank acting through its Cayman Islands Branch (each, a "Taxing Jurisdiction"), unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required (the "Additional Amounts"), except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon in respect of:

(a) any Taxes imposed by reason of the existence of any present or former connection between a Noteholder or Couponholder (or beneficial owner of either) (or between a fiduciary, settlor, beneficiary, member or shareholder of such Noteholder or Couponholder (or beneficial owner of either), if such Noteholder or Couponholder (or beneficial owner of either) is an estate, a trust, a partnership or a corporation), on the one hand, and a Taxing Jurisdiction, on the other hand other than merely holding the Notes, Receipts or Coupons or receiving payments thereon (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); or

(b) any Taxes imposed as a result of the failure of the Noteholder or Couponholder (or beneficial owner of either), 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 Couponholder (or beneficial owner of either) is able to comply with those requirements without undue hardship and (3) at least 30 days prior to the first Payment Date with respect to such requirements under the applicable law, regulation, administrative practice, or treaty shall apply, the Issuer has notified all Noteholders or Couponholders (or beneficial owner of either) that they will be required to comply with such requirements; or

(c) any Taxes imposed by reason of the failure of the Noteholder or Couponholder to present its Note, Receipt or Coupon within 30 days after the Relevant Date; *provided* that the Issuer will pay Additional Amounts to which a Noteholder or Couponholder would have been entitled had the Note, Receipt or Coupon owned by such Noteholder or Couponholder been presented on any day (including the last day) within such 30-day period; or

(d) any estate, inheritance, gift, value added, excise, transfer, personal property, use or sales Taxes or any similar Taxes; or

(e) any Taxes that are only payable otherwise than by deduction or withholding from payments on the Notes, Receipts or Coupons; or

(f) any Taxes where 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 or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(g) (except in the case of Registered Notes) any Taxes in respect of any Notes presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to, or requesting that such payment be made by, another Paying Agent in a Member State of the European Union; or

(h) any combination of the above.

In addition, no Additional Amounts shall be paid with respect to any payment to any Noteholder or Couponholder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes, Receipts or Coupons to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes, Receipts or Coupons would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes, Receipts or Coupons directly.

As used in these Conditions, "Relevant Date" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition.

9. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("Events of Default") (subject as provided in Condition 6(h)) occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable:

(a) *Non-Payment*: the Issuer fails to pay an amount payable in respect of the Notes or any of them when due and payable; or

(b) *Breach of Other Obligations*: the Issuer fails to perform or observe any of its other obligations under the Notes; or

(c) *Cross-Default*: (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries (as defined in the Agency Agreement) for or in respect of monies borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any monies borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$5,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 10 days or unless the same is being contested in good faith by appropriate means; or

(e) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

(f) *Insolvency*: the Issuer or any of its Subsidiaries is (or is, or could be, deemed by applicable law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or

(g) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or a material part of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, consolidation or spin-off (A) on terms approved by an Extraordinary Resolution of the Noteholders, or (B) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries, or (ii) where any such winding-up or dissolution of a Subsidiary or ceasing to carry on business or operations by the Issuer would, if carried out, not have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes as they fall due; or

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or

(i) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(j) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

11. Meeting of Noteholders, Modifications and Substitution

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

(b) *Modification of Agency Agreement*: The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

(c) *Substitution*: The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes, the Receipts, the Coupons and the Talons any entity (the "Substitute") that is another office or branch of the Issuer, provided that no payment in respect of the Notes, the Receipts or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the "Deed Poll"), to be substantially in the form of Schedule 8 to the Agency Agreement, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge that is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Receipt, Coupon, Talon or the Deed of Covenant and that would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (ii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and are in full force and effect, (iii) if then required as a matter of law of the country in which the Substitute is resident, the Substitute shall have become party to the Agency Agreement and assumed all obligations of the Issuer thereunder, with any appropriate consequential amendments, as if it had been an original party to it, (iv) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this Condition 11(c) and the other matters specified in the Deed Poll and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Deed Poll.

12. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates)_or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Bearer Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Bearer Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Bearer Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. Governing Law and Jurisdiction

(a) *Governing Law*: The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*: The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("Proceedings") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Service of Process*: The Issuer irrevocably appoints Hackwood Secretaries Limited of One Silk Street, London EC2Y 8HQ as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 13. Nothing shall affect the right to serve process in any manner permitted by law.

CLEARANCE AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note in bearer form without coupons may be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg or an Alternative Clearing System as agreed between the Issuer and the Dealer. Transfers of interests in such temporary Global Notes or permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Euroclear and Clearstream, Luxembourg or, if appropriate, the Alternative Clearing System.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg and/or DTC for acceptance in their respective book-entry systems in respect of the Notes to be represented by an Unrestricted Global Certificate. Each Unrestricted Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream, Luxembourg and/or deposited with a Custodian and registered in the name of a nominee for DTC will have an ISIN, a CUSIP and a Common Code.

The Issuer, and a relevant US agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Restricted Global Certificate and/or and Unrestricted Global Certificate. Each Restricted Global Certificate and/or Unrestricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate and/or Unrestricted Global Certificate, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers of interests in a Restricted Global Certificate and/or Unrestricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificates and/or Unrestricted Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Restricted Notes and/or Unrestricted Notes held within the DTC system. Investors may hold their beneficial interests in a Restricted Global Certificate and/or Unrestricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate and/or Unrestricted Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Restricted Global Certificate and/or Unrestricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate and/or Unrestricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate and/or Unrestricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer nor any Paying Agent or any Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Restricted Global Certificate and/or Unrestricted Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Final Terms, and, in the case of Notes initially represented by a Restricted Global Certificate, in minimum amounts of U.S.$100,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.$1,000, in certain limited circumstances described below.

Payments through DTC

Payments in US dollars of principal and interest in respect of a Restricted Global Certificate and/or Unrestricted Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than US dollars in respect of Notes evidenced by a Restricted Global Certificate and/or Unrestricted Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Company by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into US dollars and deliver such US dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear or Clearstream, Luxembourg. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in ‘‘Subscription and Sale’’) relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB 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. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Euroclear or Clearstream, Luxembourg by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "Transfer Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date five business days after the trade date (T+5). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) five business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Transfer Restrictions".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a ''banking organisation'' under the laws of the State of New York, a member of the US Federal Reserve System, a ''clearing corporation'' within the meaning of the New York 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 its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates 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 Issuer, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form—Exchange—Restricted Global Certificates" or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form— Exchange—Unrestricted Global Certificates". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the US secondary market generally are required to settle within five business days ("T+5"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than five business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is five business days prior to the relevant Issue Date should consult their own adviser.

TAXATION

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On September 15, 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by a non-resident of Brazil. The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the Notes.

Individuals domiciled in Brazil are taxed on the basis of their worldwide income. Until December 31, 1995, Brazilian tax laws adopted the principle of taxation of the earnings related to the activities performed within Brazil by Brazilian companies, branches of foreign companies and non-residents in general. As of January 1, 1996, profits, capital gains and other income obtained abroad by a Brazilian company or by its foreign branches, subsidiaries or affiliates as defined under Brazilian tax law are computed in the determination of such company’s taxable profit. The earnings of branches of foreign companies are generally taxed in Brazil in the same manner as Brazilian companies. Non-Brazilian residents are generally taxed in Brazil only when income is derived from Brazilian sources.

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by a Brazilian obligor to an individual, entity, trust or organisation domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Notes, is subject to income tax withheld at source. The rate of withholding tax with respect to such debt obligations is generally 15% as provided for in Section 10 of the Normative Act No. 252 of December 3, 2002 (“Normative Act No. 252/02”). According to Normative Act 252/02, in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction (as defined by Brazilian tax laws from time to time), such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and any other income are also subject to withholding in respect of Brazilian income tax at the general rate of 15%. However, pursuant to article 8 of Law No. 9779 of January 19, 1999, if the relevant average term of the Notes is of less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25% (article 691, IX of Decree No. 3,000 of March 26, 1999 and article 1, IX of Law No. 9,481 of August 13, 1997). Accordingly, there is a risk that the tax authorities may change the understanding above and apply the rate of 25% in the event that the beneficiary is domiciled in a tax haven jurisdiction. If the beneficiary of the income is domiciled in a country with which Brazil has a treaty for the avoidance of double taxation and provided further that this beneficiary is qualified for the treaty benefits, such income might be subject to a lower rate.

Brazil and Japan are signatories to a treaty (the "Japan Treaty") for the avoidance of double taxation. Under the Japan Treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other type of income deemed similar to income from borrowed funds under Brazilian tax law will be subject to a Brazilian withholding tax rate of 12.5%. As long as such payments are made by the Issuer to the Paying Agent pursuant to the terms and conditions of the Notes and provided further that such Paying Agent is a tax resident of Japan and is qualified for the treaty benefits under the Notes, they will be subject to the 12.5%. rate of Brazilian withholding tax. If the Issuer is not able to rely on such treaty to make the payments, and in relation to payments not being made by the Issuer to the Principal Paying Agent, any such payments will be subject to Brazilian withholding tax at the rates indicated in the previous paragraph.

In addition, if under the terms and conditions of the Notes, the Issuer is required to gross up for any Brazilian withholding tax, Brazilian tax laws expressly authorise the Brazilian paying source to pay the income or earnings net of taxes and, therefore, to assume the cost of the applicable tax. The Issuer has the right to redeem the Notes at part in the event that it is required to gross-up for Brazilian withholding income tax at a rate in excess of the withholding income rate in effect on the date of issue of the relevant Notes.

Gains on the sale or disposal of the Notes made outside Brazil by a non-resident, other than a branch, subsidiary or an affiliated company of a Brazilian resident as defined under Brazilian tax law, to another non-Brazilian resident are not subject to Brazilian taxes. Article 26 of the Law No. 10,833 of December 29, 2003, established that, as from February 1, 2004, capital gains realised on the disposal of Brazilian *situs* assets by non-residents, whether to other non-residents or Brazilian residents and whether made outside or within Brazil, are subject to Brazilian withholding income tax. Although the scope of Law No. 10,833 is yet unclear, the Issuer believes that the Notes shall not fall into such new provision. However, Brazilian tax authorities may understand otherwise; i.e. that the gains accrued abroad on the sale or disposal of such Notes should be taxable in Brazil.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposal of the Notes, except for gift and inheritance tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed by some Brazilian states on gifts, inheritance and bequests of individuals or entities domiciled or residing within such state.

United States Federal Income Taxation Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THESE LISTING PARTICULARS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY PROSPECTIVE PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON PROSPECTIVE PURCHASERS 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 TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE PURCHASERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain material U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a "U.S. holder" (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the

Programme, and the relevant Final Terms may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. The summary deals only with Notes that will be purchased by U.S. holders and held as capital assets. This summary is based upon United States laws, including the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations ("Treasury Regulations") (final, proposed and temporary) promulgated thereunder, rulings, judicial decisions and administrative pronouncements, all as currently in effect, and all of which are subject to change or changes in interpretation, possibly on a retroactive basis. The summary is included herein for general information only, and there can be no assurance that the U.S. Internal Revenue Service (the "IRS") will take a similar view of the U.S. federal income tax treatment of an investment in the Notes as described herein.

In particular, this summary does not purport to deal with persons in special tax situations, such as U.S. expatriates, persons subject to the alternative minimum tax, financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark their investments to market, tax-exempt entities, banks, persons holding Notes as a hedge against currency risks or as a position in a straddle for tax purposes, persons owning (directly, indirectly or by attribution) 10% or more of the outstanding share capital or voting power of the Issuer, persons whose functional currency is not the U.S. dollar or persons that purchase Notes for a price other than the respective issue prices of the Notes (except where otherwise specifically noted). Moreover, this summary deals only with Notes with a term less than 30 years, and does not address the tax treatment to U.S. holders of bearer Notes. The U.S. federal income tax treatment of any Notes with a term of 30 years or more will be more fully described in the applicable Final Terms. This summary does not address any U.S. federal tax laws (such as the estate tax or gift tax) other than U.S. federal income tax laws.

Bearer Notes are not being offered to U.S. holders. A U.S. holder who owns a bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

Prospective purchasers of Notes should consult the relevant Final Terms for any additional discussion of tax consequences that may be relevant to that particular issue and are urged to consult their own tax advisors in determining the particular U.S. federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of Notes.

As used herein, the term "U.S. holder" means a beneficial owner of a Note that is (i) a citizen or individual resident of the United States for U.S. federal income tax purposes, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of 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 income of which is otherwise subject to U.S. federal income taxation regardless of its source.

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that holds Notes is urged to consult its tax advisor regarding the specific tax consequences of the purchase, ownership and disposition of the Notes.

For purposes of this summary, a "Foreign Currency Note" means a Note on which all payments which a U.S. holder is entitled to receive are denominated in, or determined by reference to, a single Foreign Currency. For this purpose, "Foreign Currency" means a currency or currency unit other than U.S. dollars.

U.S. Currency Notes

Payments of Interest

Except as described below under "— Original Issue Discount", payments of interest on a Note (including additional amounts paid with respect to withholding tax on such Note, if any, and withholding tax on payments of such additional amounts) generally will be taxable to a U.S. holder as ordinary interest income at the time such payments are received or are accrued in accordance with the U.S. holder's method of tax accounting. Thus, a U.S. holder may be required to report income and pay tax on an amount greater than the actual amount of interest and/or OID due to such holder on the Notes if they become subject to withholding tax and additional amounts are paid to such U.S. holder, because, for U.S. federal income tax purposes, U.S. holders would be treated as having received the amount of Brazilian taxes withheld by the Issuer with respect to a Note, and as then having paid over the withheld taxes to the Brazilian taxing authorities.

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 Issuer; provided that, if a U.S. holder elects to deduct Brazilian taxes for any taxable year, such U.S. holder must deduct rather than credit, all foreign taxes for such taxable year. 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 any such basket is limited to U.S. federal income tax allocable to that income. Interest and OID on the Notes generally will be attributable to 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. Since a U.S. holder may be required to include OID on the Notes in its gross income in advance of any withholding of Brazilian income taxes from payments attributable to the OID (which would generally occur only when the Note is repaid or redeemed), a U.S. holder may not be entitled to a credit or deduction for these Brazilian income taxes in the year the OID is included in the U.S. holder's gross income, and may be limited in its ability to credit or deduct in full the Brazilian taxes in the year those taxes are actually withheld by the Issuer. The rules for foreign tax credits are complex and prospective purchasers should consult their tax advisers concerning the foreign tax credit implications to them of the payment of any Brazilian taxes.

Original Issue Discount

The following summary is a general discussion of the material U.S. federal income tax consequences to U.S. holders of the ownership and disposition of Notes issued with OID ("Discount Notes") under applicable Treasury Regulations (the "OID Regulations"). This summary does not discuss Notes that are characterised as "contingent payment debt instruments" for U.S. federal income tax purposes, which are subject to special provisions with respect to the U.S. federal income tax treatment of OID.

A Note, other than a Note with a term of one year or less (a "Short-Term Note"), will be treated as issued with OID if the amount by which the Note's stated redemption price at maturity exceeds its issue price is more than a *de minimis* amount. Generally, a Note's "issue price" will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The "stated redemption price at maturity" of a Note is the sum of all payments provided by the Note other than "qualified stated interest" payments.

In general, under a *de minimis* exception, a Note is not treated as issued with OID if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of ¼ of 1% of its stated redemption price at maturity multiplied by the number of complete years to its maturity date from its original issue date (or its weighted average maturity if the Note is an installment obligation).

The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually at a single fixed rate of interest or a variable rate (in the circumstances described below under "— Variable Rate Notes"). In addition, under the OID Regulations, if a Note bears interest for one or more initial accrual periods at a rate below the rate applicable for the remaining term of such Note (e.g., Notes with teaser rates or interest holidays), and if the greater of either the resulting foregone interest on such Note or any "true" discount on such Note (i.e., the excess of the Note's stated principal amount over its issue price) equals or exceeds a specified *de minimis* amount as determined under the OID Regulations, then the stated interest on the Note would be treated as OID rather than qualified stated interest.

A U.S. holder of a Discount Note must include OID in income as ordinary interest income for U.S. federal income tax purposes as it accrues generally under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. holder's regular method of tax accounting. In general, the amount of OID included in income by the initial U.S. holder of a Discount Note is the sum of the daily portions of OID with respect to such Discount Note for each day during the taxable year (or portion of the taxable year) on which the U.S. holder held the Discount Note. The daily portion of OID on any Discount Note is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of the Discount Note, *provided that* each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day or first day of an accrual period. The amount of OID allocable to each accrual period generally is equal to the difference between (i) the product of the Discount Note's "adjusted issue price" at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the sum of the issue price of the Discount Note plus the amount of OID allocable to all prior accrual periods minus the amount of any prior payments on the Discount Note that were not qualified stated interest payments. Under these rules, U.S. holders generally will have to include in taxable income increasingly greater amounts of OID in successive accrual periods.

Acquisition Premium

A U.S. holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Amortizable Bond Premium

A U.S. holder that purchases a Note for more than the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, may elect to amortise the bond premium. If a U.S. holder makes such an election, the amount of interest on the Note otherwise required to be included in the U.S. holder's income will be reduced each year by the amount of amortizable bond premium allocable to such year on a constant yield to maturity basis (except to the extent Treasury Regulations may provide otherwise). If a Note is redeemable prior to maturity, the amount of amortizable bond premium will be determined with reference to the amount payable on the earlier redemption date if such determination results in a smaller premium attributable to the period ending on the earlier redemption date. The election to amortise bond premium cannot be revoked without the consent of the IRS. Amortised bond premium will reduce the U.S. holder's tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium will thereafter apply to bond premium on certain other debt instruments that the U.S. holder then owns or thereafter acquired at a premium, and the election may have different tax consequences depending on when the debt instruments were issued or acquired. Special rules apply to (a) certain Notes payable in or by reference to a foreign currency (discussed below under "—Foreign Currency Notes") and (b) certain Notes with contingent interest payments. A U.S. holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a loss when the Note matures as described below in "—Sale, Retirement or Other Taxable Disposition of U.S. Currency Notes". A U.S. holder should consult its tax advisor before making an election to amortise bond premium.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "de minimis market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. holder.

Market discount will accrue on a straight-line basis unless the U.S. holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Prospective purchasers are urged to consult their tax advisors if such purchasers purchase a Note at a discount or premium from the Note's issue price. In this event, the Notes so purchased may be subject to special U.S. federal income tax rules relating to the treatment of market discount or acquisition or bond premium.

Election to Treat All Interest as Original Issue Discount

A U.S. holder may elect to include in gross income all interest that accrues on a note using the constant yield method discussed above under "— Original Issue Discount", with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium.

Generally, this election will apply only to the Note with respect to which it is made and must be made for the taxable year in which the U.S. holder acquired the Note. However, if a Note subject to an election has amortizable bond premium, the U.S. holder will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that such U.S. holder holds as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if a U.S. holder makes the election for a Market Discount Note, such U.S. holder will be treated as having made the election discussed above under "— Market Discount" to include market discount in income currently over the life of all debt instruments that such U.S. holder currently owns or later acquires. A U.S. holder may not revoke any election to apply the constant yield method to all interest on a Note or the deemed elections with respect to amortizable bond premium or Market Discount Notes without the consent of the IRS. U.S. holders are urged to consult their tax advisors regarding the advisability of making this election.

Variable Rate Notes

A Note that provides for a variable rate of interest (a "Variable Rate Note") may qualify as a "variable rate debt instrument" if the conditions described below are met. In the event a Variable Rate Note qualifies as a "variable rate debt instrument" then payments of interest on such Variable Rate Note are treated as described above under "— Payments of Interest".

Under the OID Regulations, Variable Rate Notes are subject to special rules whereby a Variable Rate Note will qualify as a "variable rate debt instrument" if:

(a) such Variable Rate Note's issue price does not exceed the total noncontingent principal payments by more than the lesser of:

  (i) .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or

  (ii) 15% of the total noncontingent principal payments; and

(b) such Variable Rate Note provides for stated interest, compounded or paid at least annually, only at:

  (i) one or more qualified floating rates,

  (ii) a single fixed rate and one or more qualified floating rates,

  (iii) a single objective rate, or

  (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A Variable Rate Note provides for stated interest at a qualified floating rate if:

(a) variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which such Variable Rate Note is denominated; or

(b) the rate is equal to such a rate multiplied by either:

  (i) a fixed multiple that is greater than 0.65 but not more than 1.35, or

  (ii) a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and

(iii) the value of the rate on any date during the term of such Variable Rate Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If such Variable Rate Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of such Variable Rate Note, the qualified floating rates together constitute a single qualified floating rate.

A Variable Rate Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of such Variable Rate Note or are not reasonably expected to significantly affect the yield on such Variable Rate Note.

A Variable Rate Note provides for stated interest at a single objective rate if:

- the rate is not a qualified floating rate,
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of Banco Daycoval S.A. or a related party, and
- the value of the rate on any date during the term of such Variable Rate Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A Variable Rate Note will not be treated as providing for stated interest at an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of such Variable Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of such Variable Rate Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate; and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

A Variable Rate Note will also provide for stated interest at a single qualified floating rate or an objective rate if interest on such Variable Rate Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of such Variable Rate Note that do not differ by more than 0.25% or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if a Variable Rate Note provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period (as set forth herein), interest on such Variable Rate Note will be accounted for as described above under "—Payments of Interest". In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield reasonably expected for such Variable Rate Note.

If a Variable Rate Note constitutes a variable rate debt instrument but does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, a U.S. holder generally must determine the interest and OID accruals on such Variable Rate Note by:

- determining a fixed rate substitute for each variable rate provided under such Variable Rate Note,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When a U.S. holder determines the fixed rate substitute for each variable rate provided under a Variable Rate Note, it generally will use the value of each variable rate as of the issue date of such Variable Rate Note or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on such Variable Rate Note.

If a Variable Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, a U.S. holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, a Variable Rate Note will be treated, for purposes of the first three steps of the determination, as if such Variable Rate Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of such Variable Rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

If a Variable Rate Note (such as a Note the payments on which are determined by reference to an index) does not qualify as a variable rate debt instrument under the OID Regulations, then the Variable Rate Note would be treated as a contingent payment debt obligation under applicable Treasury Regulations (the "CPDI Regulations"). The CPDI Regulations generally require a U.S. holder of such an instrument to include future contingent and noncontingent interest payments in income as such interest accrues based upon a projected payment schedule, whether or not the U.S. holder has actually received any such payment. Additionally, the CPDI Regulations provide special rules that would affect the character of any gain or loss upon the sale or exchange of a contingent payment debt instrument.

The U.S. federal income tax treatment of any Variable Rate Notes or other Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Final Terms.

Short-Term Notes

In general, an individual or other cash basis U.S. holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. holders and certain other U.S. holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the

OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity (i.e., all payments of interest are OID). A U.S. holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. holder at the U.S. holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Sale, Retirement or Other Taxable Disposition of U.S. Currency Notes

Generally, upon the sale, retirement or other taxable disposition of a Note, a U.S. holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, retirement or other taxable disposition (other than amounts representing accrued and unpaid qualified stated interest, which is taxable as interest) and such U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally equals the cost of the Note, increased by the amount of any OID and *de minimis* OID (and market discount, if an election has been made to include currently) included in the U.S. holder's income with respect to the Note and decreased by the amount of any payments that are not qualified stated interest. Except to the extent described above under "Original Issue Discount — Market Discount", "Original Issue Discount — Short Term Notes" or "Foreign Currency Notes", any gain or loss recognised on a sale, retirement or other taxable disposition of a Note, other than amounts attributable to accrued and unpaid interest, will be U.S. source gain or loss and generally will be treated as long-term capital gain or loss if at the time of the sale, retirement or other taxable disposition, the Note was held for more than one year. In the case of a U.S. holder who is an individual (or other non-corporate U.S. holder), long term capital gains, if any, generally will be subject to U.S. federal income taxation at preferential rates. The deductibility of capital losses is subject to significant limitations.

Gain realised by a U.S. holder on the sale, retirement or other taxable disposition of a Note generally will be treated as U.S. source income. Consequently, if Brazilian withholding tax is imposed on such gain, the U.S. holder will not be able to use the corresponding foreign tax credit, unless the 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 and your ability to credit foreign taxes may be subject to various limitations. Accordingly, prospective investors should consult their own advisors with respect to the application of these rules to their particular circumstances.

Optional Redemption

In general, if a Note provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date of such Note a U.S. holder must determine the yield and maturity of such Note by assuming that the payments will be made according to the payment schedule, if any, that is significantly more likely than not to occur.

Notwithstanding the general rules for determining yield and maturity, if either a U.S. holder or the Issuer has an unconditional option or options that, if exercised, would require payments to be made on such Note under an alternative payment schedule or schedules, then (i) in the case of an option or options that the Issuer may exercise, the Issuer will be deemed to exercise or not exercise an option or combination of options in the manner that minimises the yield on such Note and (ii) in the case of an option or options that a U.S. holder may exercise, it will be deemed to exercise or not exercise an option or combination of options in the manner that maximises the yield on such Note. If both a U.S. holder and the Issuer hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules, then except to the extent that a portion of a Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, a U.S. holder must redetermine the yield and maturity of such Note by treating such Note as having been retired and reissued on the date of the change in circumstances for an amount equal to such Note's adjusted issue price on that date.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes) and the U.S. holder's tax basis in the Notes. U.S. holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Foreign Currency Notes

As used herein, "Foreign Currency" means a currency or currency unit other than U.S. dollars. The discussion below relates to the Notes the payment of which is denominated in, or determined by reference to, a single Foreign Currency.

Interest — Cash Method

A U.S. holder who uses the cash method of accounting for U.S. federal income tax purposes and who receives a payment of interest on a Note (other than OID, the treatment of which is described below under "— Interest — Accrual Method") will be required to include in income the U.S. dollar value of the Foreign Currency payment, based on the spot exchange rate on the date of receipt, regardless of whether the payment is in fact converted to U.S. dollars at that time. A cash method U.S. holder generally will not realise exchange gain or loss on the receipt of the interest payment but may have exchange gain or loss attributable to a subsequent disposition of the Foreign Currency so received which will be U.S. source ordinary income or loss.

Interest — Accrual Method

A U.S. holder who uses the accrual method of accounting for U.S. federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, will be required to include in income the U.S. dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange in effect for the interest accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year. The average rate of exchange for an interest accrual period (or partial period) is the simple average of the spot exchange rates for each business day of such period or other average rate for the period that is reasonably derived and consistently applied by the U.S. holder. A U.S. holder may elect, however, to translate such accrued interest income at the spot rate on the last day of the interest accrual period, or the last day of the accrual period in that taxable year in the case of a partial accrual period. If the last day of the interest accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder may translate such interest at the spot rate on the date of receipt. The above election will apply to all debt obligations held by the U.S. holder at the beginning of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. U.S. holders should consult their own tax advisors as to the advisability of making the above election.

A U.S. holder will recognise exchange gain or loss (which will be treated as U.S. source ordinary income or loss) with respect to accrued interest on the date such interest is received, and which generally will not be treated as an adjustment to interest income or expense. The amount of ordinary income or loss so recognised will equal the difference, if any, between the U.S. dollar value of the Foreign Currency payment received (determined on the basis of the spot rate on the date such payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above), regardless of whether such U.S. holder actually converts the payment into U.S. dollars.

Original Issue Discount

In the case of a Discount Note that is also a Foreign Currency Note, a U.S. holder must determine OID allocable to each accrual period in units of the Foreign Currency using the constant yield method described in "— U.S. Currency Notes — Original Issue Discount" above. Accrued OID is translated into U.S. dollars and the U.S. holder will recognise Foreign Currency gain or loss on the accrued OID in the same manner as described above in "— Interest — Accrual Method". Such U.S. holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) when it receives an amount attributable to OID in connection with a payment of interest or the sale, retirement or other taxable disposition of such Note. U.S. holders are urged to consult their tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules.

Amortisable Bond Premium (including Acquisition Premium)

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a Foreign Currency will be computed in units of the Foreign Currency, and any such bond premium that is taken into account currently will reduce interest income in units of the Foreign Currency. On the date bond premium offsets interest income, a U.S. holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date and on the date the Notes were acquired by the U.S. holder. A U.S. holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a loss when the Note matures as described below under "—Sale, Retirement or Other Taxable Disposition of Foreign Currency Notes".

Market Discount

Market Discount on a Note that is denominated in, or determined by reference to, a Foreign Currency, will be accrued in the foreign currency. If the U.S. holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Sale, Retirement or Other Taxable Disposition of Foreign Currency Notes

As discussed above under "Sale, Retirement or Other Taxable Disposition of U.S. Currency Notes", a U.S. holder will generally recognise gain or loss on the sale, retirement, or other taxable disposition of a Note equal to the difference between the amount realised on the sale, retirement or other taxable disposition and its adjusted tax basis in the Note.

A U.S. holder's initial tax basis in a Foreign Currency Note will be the U.S. dollar value of the Foreign Currency amount paid for such Foreign Currency Note, determined on the date of such purchase. If a Foreign Currency Note is traded on an established securities market, a cash basis U.S. holder (or, upon election, an accrual basis U.S. holder) will determine the U.S. dollar value of the amount paid by translating the Foreign Currency payment at the spot rate on the settlement date of the purchase. (If an accrual basis taxpayer makes such an election, the election must be applied consistently to all debt instruments from year to year and cannot be revoked without the consent of the IRS.) The amount of any subsequent adjustments to such holder's tax basis will be the U.S. dollar value of the Foreign Currency amount of the adjustment, determined as discussed herein. A U.S. holder's adjusted tax basis in a Foreign Currency Note generally will equal the cost of the Foreign Currency Note to such holder, increased by the amount of any OID and *de minimis* OID (and market discount if an election has been made to include currently) previously included in income by the holder with respect to such Foreign Currency Note and reduced by any payments that are not qualified stated interest previously received by the holder.

If a U.S. holder receives Foreign Currency on a sale, retirement or other taxable disposition of a Foreign Currency Note, the amount realised will be based on the U.S. dollar value of the Foreign Currency on:

- the date of disposition, if it is a cash basis taxpayer and the relevant Foreign Currency Notes are not traded on an established securities market, as defined in the applicable Treasury Regulations;
- the date of disposition, if it is an accrual basis taxpayer that does not elect to use the settlement date; or
- the settlement date for the sale, if it is a cash basis taxpayer, or an accrual basis taxpayer that so elects, and the relevant Foreign Currency Notes are traded on an established securities market, as defined in the applicable Treasury Regulations. (If an accrual basis taxpayer makes such an election, the election must be applied consistently to all debt instruments from year to year and cannot be revoked without the consent of the IRS.)

Except as discussed in the following paragraph with respect to exchange gains or losses, any gain or loss recognised upon the sale, retirement or other taxable disposition of a Foreign Currency Note generally will be capital gain or loss, except to the extent attributable to accrued but unpaid interest and market discount or attributable to changes in the exchange rates as described below and will be treated as long-term capital gain or loss if at the time of sale, retirement or other taxable disposition the Foreign Currency Note was held for more than one year. If the U.S. holder is an individual (or other non-corporate U.S. holder), any long-term capital gain, if any, generally will be subject to U.S. federal income taxation at preferential rates. The deductibility of capital losses is subject to significant limitations.

Gain realised by a U.S. holder on the sale, retirement or other taxable disposition of a Note generally will be treated as U.S. source income. Consequently, if Brazilian withholding tax is imposed on such gain, the U.S. holder will not be able to use the corresponding foreign tax credit, unless the 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 and your ability to credit foreign taxes may be subject to various limitations. Accordingly, prospective investors should consult their own advisors with respect to the application of these rules to their particular circumstances.

Gain or loss realised upon the sale, retirement or other taxable disposition of a Foreign Currency Note that is attributable to fluctuations in currency exchange rates will constitute exchange gain or loss and will be taxable as U.S. source ordinary income or loss. Such foreign exchange gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. holder on the sale, retirement or other taxable disposition.

A U.S. holder generally will have a tax basis in any Foreign Currency received as interest or on the sale, retirement or other taxable disposition of a Foreign Currency Note equal to the U.S. dollar value of such Foreign Currency on the dates described above in "—Interest – Cash Method", "—Interest – Accrual Method" and "—Sale, Retirement or Other Taxable Disposition of Foreign Currency Notes". Any exchange gain or loss realised by a U.S. holder on a subsequent conversion or other disposition of Foreign Currency, generally, will be treated as ordinary income or loss.

If a Note is issued in circumstances where interest payments on the Note are denominated in or determined by reference to one currency and the principal portion of the Note may be denominated in or determined by reference to another currency ("Dual Currency Notes"), the applicable Final Terms will discuss the material U.S. federal income tax consequences in respect of these features to holders.

Foreign Currency Constraint

There are no Treasury Regulations, published rulings or judicial decisions specifically addressing the effect of a Relevant Currency Constraint on the Notes. The Issuer believes that an election or the failure to so elect to request payment in the lawful currency of Brazil (as provided in "Terms and Conditions of the Notes—Foreign Currency Constraint") should not be considered to result in a deemed sale or exchange of the Notes for U.S. federal income tax purposes, potentially resulting in recognition of gains or losses. There can be no assurance that the IRS will agree with this determination. U.S. holders should consult their tax advisors in this regard.

Foreign Source Income

For U.S. foreign tax credit purposes, qualified stated interest, OID, and any additional amounts paid with respect to a Note will be treated as foreign source income, subject to various classifications and other limitations. The rules relating to computing foreign tax credits or deducting foreign taxes are extremely complex, and U.S. holders are urged to consult their own tax advisors regarding the availability of U.S. foreign tax credits with respect to any Brazilian taxes withheld from payment.

Tax Return Disclosure Requirement

A U.S. holder may be required to report a sale, retirement or other taxable disposition of its Notes (or, in the case of an accrual basis U.S. holder, a payment of accrued interest) on IRS Form 8886 (Reportable Transaction Disclosure Statement) if it recognises a foreign exchange loss that exceeds U.S.$50,000 in a single taxable year from a single transaction, if such U.S. holder is an individual or trust, or higher amounts for other non-individual U.S. holders. U.S. holders are urged to consult their own tax advisors in this regard.

Recently enacted legislation requires certain individual U.S. holders to report information with respect to their investment in Notes not held through a custodial account with a U.S. financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in the Notes.

Medicare Contribution Tax on Unearned Income

Recently enacted legislation requires certain U.S. holders who are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, interest on and capital gains from the sale, retirement or other taxable disposition of Notes for taxable years beginning after December 31, 2012. U.S. holders should consult their tax advisors regarding the effect, if any, of this new legislation on their investment in the Notes.

U.S. Information Reporting and Backup Withholding

Payments of principal, premium, if any, and interest (including OID) on, and proceeds from the sale, retirement or other taxable disposition of the Notes may be subject to information reporting to the IRS and possibly backup withholding. Backup withholding of U.S. federal income tax at a current rate of 28% may apply to payments made in respect of the Notes to holders who fail to make any required certification or who are not exempt recipients and who fail to provide certain identifying information (such as the holder's taxpayer identification number). Payments made in respect of the Notes to a U.S. holder must be reported to the IRS, unless the U.S. holder is an exempt recipient or otherwise establishes an exemption. U.S. persons who are required to establish their exempt status, generally, must provide an IRS Form W-9.

Any amounts withheld under the backup withholding rules from a payment to a U.S. holder would be allowed as a refund or a credit against such U.S. holder's U.S. federal income tax, *provided that* the required information is furnished to the IRS in a timely manner.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL INCOME OR OTHER TAX LAWS.

Cayman Islands Tax Considerations

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Notes. The Notes themselves will be stampable if they are executed in or brought into the Cayman Islands. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

CERTAIN UNITED STATES ERISA CONSIDERATIONS

To ensure compliance with U.S. Treasury Department rules, we inform you that this summary was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on any taxpayer. This summary was written to support the promotion or marketing of the transactions addressed by these Listing Particulars. Each taxpayer should seek advice based on such taxpayer´s particular circumstances from an independent tax advisor.

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans, pursuant to ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption or exception is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code and the prohibited transaction itself may have to be rescinded.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which we, the Arrangers or any dealer or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction.

Accordingly, except as otherwise provided in any Final Terms, by its purchase and holding of any Notes (or any interests therein), the purchaser thereof 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, or are deemed for the purposes of ERISA or the Code to 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 non-U.S. 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 (or any interests therein) will not constitute or result in a non-exempt 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, a violation of any substantially similar U.S. federal, state or local law, or non-U.S. law). Similarly, each transferee of any Notes (or any interests therein), 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, or are deemed for the purposes of ERISA or the Code to 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 non-U.S. 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 constitute or result in a non-exempt 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, a violation of any such substantially similar U.S. federal, state or local law, or non-U.S. law).

Governmental plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to state, local or other federal or non-U.S. laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

In addition, any insurance company proposing to use assets of its general account to purchase Notes should consider the implications of the United States Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86, 114 S. Ct. 517 (1993), which in certain circumstances treats such general account assets as assets of a Plan that owns a policy or other contract with such insurance company, as well as the effect of Section 401(c) of ERISA as interpreted by regulations issued by the United States Department of Labor in January 2000.

The sale of Notes to a Plan is in no respect a representation by us or any dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in a dealer agreement dated December 8, 2010 (the "Dealer Agreement") between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder. In addition, unless the Purchase Information or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", each Dealer represents and agrees in relation to each Tranche of Notes in bearer form:

(a) except to the extent permitted under the D Rules:

1. it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person and

2. it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(b) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6); and

(d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (i) repeats and confirms the representations contained in paragraphs (a), (b) and (c) above on behalf of such affiliate, or (ii) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in such paragraphs (a), (b) and (c).

Terms used herein have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, or sell or, in the case of Notes sold in bearer form, deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Notes are being offered and sold outside the United States to non-US persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of Registered Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

These Listing Particulars have been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. These Listing Particulars do not constitute an offer to any person in the United States or to any U.S. person, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of these Listing Particulars by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes to the public which are the subject of the offering contemplated by these Listing Particulars as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”), in the period beginning on following the date of publication of a prospectus in relation to such offer such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State, or final terms in relation to such offer, as applicable, and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, all in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same 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 amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such any Notes in, from or otherwise involving the United Kingdom.

The Federative Republic of Brazil

The Notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither we nor the issuance of the Notes have been or will be registered with the CVM. Therefore, each of the Dealers represents, warrants and agrees 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.

Ireland

Each Dealer represents, warrants and agrees in relation to the Notes that it has not and will not do anything in Ireland in connection with the Notes which might constitute a breach of sections 9, 23 (including any advertising restrictions made thereunder) and 50 any Code of Conduct made under section 37 of the Investment Intermediaries Act 1995.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any jurisdiction by the Dealers or by the Issuer that would permit a public offering of any of the Notes, or possession or distribution of these Listing Particulars, or any part thereof including any Final Terms, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells, or delivers Notes or has in its possession or distributes these Listing Particulars, or any part thereof including any Final Terms, or any such other material, in all cases at its own expense. Each Dealer agrees and each further Dealer appointed under the Programme will be required to agree that it will also procure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the Issuer's actions). The Issuer will have no responsibility for, and each Dealer agrees and each further Dealer appointed under the Programme will be required to agree that it will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Dealer is authorised to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in these Listing Particulars, including the applicable Final Terms, and any other information or document supplied.

Selling restrictions may be supplemented or modified with the Issuer's agreement and the agreement of the relevant Dealers. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to these Listing Particulars.

TRANSFER RESTRICTIONS

Restricted Notes

Each purchaser of Restricted Notes, by accepting delivery of these Listing Particulars, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Restricted Notes for its own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of the Restricted Notes has been advised, that the sale of the Restricted Notes to it is being made in reliance on Rule 144A.

2. (i) The Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions on the Restricted Notes.

3. The Restricted Notes, unless the Issuer determines otherwise in accordance with applicable law, will bear a legend (the ‘‘Rule 144A Legend’’) in or substantially in the following form:

   ‘‘THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “QIB”) THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT (“RULE 144”), IF AVAILABLE, OR (4) 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. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES.

   EXCEPT AS OTHERWISE PROVIDED IN A FINAL TERMS, BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) THAT IS SUBJECT TO TITLE I OF ERISA, (II) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, “PLAN ASSETS” BY REASON OF SUCH EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN THE

ENTITY, OR (IV) A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT 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, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE."

4. It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

5. It understands that the Restricted Notes will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate or as the case may be, Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Notes

Each purchaser of Unrestricted Notes and each subsequent purchaser of such Unrestricted Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of these Listing Particulars and the Unrestricted Notes, will be deemed to have represented, agreed and acknowledged that:

(i) It is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (a) it is not a US person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(ii) It understands that such Unrestricted Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(iii) It understands that the Unrestricted Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend in or substantially in the following form:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES

REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."

(iv) It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(v) It understands that the Unrestricted Notes will be represented by an Unrestricted Global Certificate, or as the case may be, a Global Note. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(vi) Delivery of the Notes may be made against payment therefor on or about a date which will occur more than three business days after the date of pricing of the Notes which date may be specified in the Final Terms. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes may initially settle on or about a date which will occur more than three business days after the date of pricing of the Notes to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

INDEPENDENT ACCOUNTANTS

Our consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 included in these Listing Particulars have been prepared in accordance with Brazilian accounting practices applicable to entities authorised to operate by Central Bank of Brazil and audited by Deloitte Touche Tohmatsu Auditores Independentes, independent accountants, in accordance with the audit standards applicable in Brazil, as stated in its reports included in these Listing Particulars, which reports express an unqualified opinion and includes an explanatory paragraph relating to the adjusted and restated financial statements as of and for the year ended December 31, 2007, presented for comparative purposes, as a consequence of changes in Brazilian accounting practices in 2008, as set forth in NPC 12 – Accounting Policies, Changes in Accounting Estimates and Errors.

With respect to our unaudited consolidated financial statements as of and for the nine-month periods ended September 30, 2010 and 2009 included in these Listing Particulars prepared in accordance with Brazilian accounting practices applicable to entities authorised to operate by Central Bank of Brazil, Deloitte Touche Tohmatsu Auditores Independentes, as independent accountants, have applied limited procedures in accordance with professional standards of IBRACON for a review of such information. However, as stated in their reports included herein, they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on its report on such information should be restricted in light of the limited nature of the review procedures applied.

GENERAL INFORMATION

(1) The establishment of the Programme and the execution of all documents in connection therewith was ratified by a resolution of our board of directors (*ata de reunião da diretoria*) passed on January 11, 2011.

(2) The Issuer has obtained all necessary consents, approvals and authorisations under the laws of Brazil and the Cayman Islands for the establishment of the Programme, the issue and performance of the Notes under the Programme and the execution of the Agency Agreement, all of which are in full force and effect, except that the issue of any Series of Notes under the Programme from Brazil (or the substitution of the principal office in Brazil if a Series of Notes is initially issued by the Cayman Islands Branch) requires (i) the approval by the Central Bank of the terms and conditions of the Series of Notes and registration of the Schedule of payments applicable to such Series, which will enable the Issuer to make remittances from Brazil in the relevant currency of the principal of and interest on the Notes in relation to such Series and (ii) the approval of the Central Bank for the Issuer to make any payment in the relevant currency not set forth in the relevant schedule of payments or to make any payment provided for therein earlier than the due date therefor. Reference to the consents, approvals and authorisations obtained by the Issuer in connection with each issue of Notes under the Programme and performance thereunder is included in the Final Terms prepared in connection with such issue.

(3) Application has been made to the Irish Stock Exchange (Global Exchange Market) to list the Programme and application may be made to the Irish Stock Exchange (Global Exchange Market) to list any Notes issued under the Programme. There can be no assurance that listing on the Irish Stock Exchange (Global Exchange Market) will be achieved prior to the issue date of any Notes or otherwise or that, if obtained, such listing will be maintained.

(4) In March 2003 the European Commission published a proposal for a Directive of the European Parliament and of the Council on the harmonisation of transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market in the European Union (2003/0045(COD)) (the "Transparency Directive"). While the Irish Stock Exchange (Global Exchange Market) is not a regulated market, if the Transparency Directive (or similar requirements applicable to non-regulated markets) were to be imposed in a form which would require the Issuer to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Issuer would otherwise use to prepare its financial information, the Issuer may seek an alternative admission to listing, trading and/or quotation for the Notes by such other listing authority, stock exchange and/or quotation system outside the European Union. Notice of any such termination and/or alternative listing shall promptly be given to Noteholders in accordance with Condition 19 (*Notices*).

(5) Except as disclosed in these Listing Particulars, there has been no significant change in the financial or trading position of Banco Daycoval S.A. or any of its subsidiaries since September 30, 2010, being the date of its last interim finacial statements, and no material adverse change in the financial position or prospects of Banco Daycoval S.A. or any of its subsidiaries since December 31, 2009, being the date of its last published annual financial statements.

(6) Except as disclosed in these Listing Particulars, neither Banco Daycoval S.A. nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Banco Daycoval S.A. is aware) during the 12 months preceding the date of these Listing Particulars which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer.

(7) Each Note issued in bearer form having a maturity of more than one year, and each related Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(8) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

(9) The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(10) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. Other than as may be required by applicable law, regulation or stock exchange requirement, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(11) For so long as the Programme remains in effect or any Notes shall be outstanding, physical copies of the following documents may be inspected during normal business hours (i) at the specified office of the Listing Agent in Ireland, (ii) at the specified offices of any Paying Agent and (iii) at the registered office of Banco Daycoval S.A. in São Paulo, Brazil, namely:

(a) the constitutive documents of Banco Daycoval S.A.;

(b) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);

(c) the Agency Agreement;

(d) the Deed of Covenant;

(e) the Dealer Agreement; and

(f) the most recent publicly available audited consolidated and non-consolidated annual financial statements of Banco Daycoval S.A. beginning with such financial statements for the years ended December 31, 2009, 2008 and 2007.

In addition, copies of the items listed in (b) and (f) above will be provided free of charge at the Specified Offices of the Paying Agents and the Listing Agent upon oral or written request.

(12) Deloitte Touche Tohmatsu Auditores Independentes is registered with the Brazilian federal accounting council (*Conselho Federal de Contabilidade*) and the CVM.

(13) We estimate that total expenses related to application for trading will be €1,940.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, are set out below:

[BANCO DAYCOVAL S.A.

Issue of [Aggregate Nominal Amount of Tranche]
[Title of Notes]
under its U.S.$2,000,000,000
Euro Medium-Term Note Programme

arranged by

BANCO VOTORANTIM S.A.

FINAL TERMS

The date of these Final Terms is [●]]

This document constitutes the Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Listing Particulars dated [●] [and the supplemental Listing Particulars dated [●]] which [together] constitute[s] base listing particulars for the purposes of the Irish Stock Exchange Guidelines. This document constitutes the Final Terms of the Notes described herein for the purposes of the Irish Stock Exchange Guidelines and must be read in conjunction with such Listing Particulars [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Listing Particulars.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under Listing Particulars with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Listing Particulars dated [●] [and the supplemental Listing Particulars dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of the Irish Stock Exchange Guidelines and must be read in conjunction with the Listing Particulars dated [●] [and the supplemental Listing Particulars dated [●]], which [together] constitute[s] base listing particulars for the purposes of the Irish Stock Exchange Guidelines save in respect of the Conditions which are extracted from the Listing Particulars dated [●] [and the supplemental Listing Particulars dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Listing Particulars dated [●]and [current date] [and the supplemental Listing Particulars dated [●] and [●]]. [The Listing Particulars [and the supplemental Listing Particulars] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Listing Particulars under Irish Stock Exchange Guidelines.]

1	(i) Issuer:	Banco Daycoval S.A., acting through its [principal office in the Federative Republic of Brazil] [Cayman Islands Branch]
	(ii) Substitution of Issuer	[The Issuer may substitute its [principal office in the Federative Republic of Brazil] [Cayman Islands Branch] as Issuer/ Not Applicable]
2	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	
3	Specified Currency or Currencies:	[●]
3A	Currency Constraint (Condition 6(h)):	[Applicable/Not Applicable]

4	Aggregate Nominal Amount:	
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]]
5	[(i)] Issue Price:	[●] %. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	[(ii) Net proceeds:	[●] (Required only for listed issues)]
6	Specified Denominations:	[●][1]
7	[(i)] Issue Date:	[●]
	[(ii) Interest Commencement Date (if different from the Issue Date):	[●]]
8	Maturity Date:	[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]
9	Interest Basis:	[[●] %. Fixed Rate] [[*specify reference rate*] +/- [•] %. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)] [(N.B. If the Final Redemption Amount is less than 100% of the nominal value, the

[1] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum denomination of £100,000 (or its equivalent in other currencies).

		Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply and the Issuer will prepare and publish a supplement to the Listing Particulars.)]
11	Change of Interest or Redemption/ Payment Basis:	[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12	Put/Call Options:	[Put] [Call] [(further particulars specified below)]
13	Status of the Notes:	[Senior/[Subordinated/Dated/Perpetual][2]]
14	Listing:	[Ireland/Other (*specify*)/None]
15	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	Rate[(s)] of Interest:	[●] %. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(i) Interest Payment Date(s):	[●] in each year
	(ii) Fixed Coupon Amount[(s)]:	[●] per [●] in nominal amount
	(iii) Broken Amount:	[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate]
	(iv) Day Count Fraction (Condition 4(j)):	[●]
		(Day count fraction should be

[2] Please add appropriate provisions to terms and conditions if included

		Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless the client requests otherwise)
	(v) Determination Date(s) (Condition 4(j)):	[Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)] in each year[3]
	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
17	Floating Rate Provisions	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for Notes denominated in euro)
	(i) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(iii) Additional Business Centre(s) (Condition 4(j)):	[●]
	(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(v) Interest Period Date(s):	[Not Applicable/*specify dates*]
	(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Calculation Agent]):	[●]
	(vii) Screen Rate Determination (Condition (b)(iii)(B)):	
	– Reference Rate:	[●]
	– Interest Determination Date:	[[●] [TARGET] Business Days in *[specify city]* for *[specify currency]* prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]

[3] Only to be completed for an issue where Day Count Fraction is Actual/Actual-ICMA

	– Relevant Screen Page:	[●]
	– Primary Source for Floating Rate:	[Specify relevant screen page or "Reference Banks"]
	– Reference Banks (if Primary Source is "Reference Banks"):	[Specify four]
	– Benchmark:	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]
	(viii) ISDA Determination (Condition 4(b)(iii)(A)):	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	– ISDA Definitions: (if different from those set out in the Conditions)	[●]
	(ix) Margin(s):	[+/-] [●] %. per annum
	(x) Minimum Rate of Interest:	[●] %. per annum
	(xi) Maximum Rate of Interest:	[●] %. per annum
	(xii) Day Count Fraction (Condition 4(j)):	[●]
	(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18	Zero Coupon Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Amortisation Yield (Condition 5(b)):	[●] %. per annum
	(ii) Day Count Fraction (Condition 4(j)):	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
19	Index Linked Interest Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Index/Formula:	[Give or annex details]
	(ii) Calculation Agent responsible for calculating the interest due:	[●]

	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(iv) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(v) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vi) Additional Business Centre(s) (Condition 4(j)):	[●]
	(vii) Minimum Rate of Interest:	[●] %. per annum
	(viii) Maximum Rate of Interest:	[●] %. per annum
	(ix) Day Count Fraction (Condition 4(j)):	[●]
20	Dual Currency Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[Give details]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v) Day Count Fraction (Condition 4(j)):	[●]

PROVISIONS RELATING TO REDEMPTION

21	Call Option	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)

	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●]
	(iii) If redeemable in part:	
	(a) Minimum nominal amount to be redeemed:	[●]
	(b) Maximum nominal amount to be redeemed:	[●]
	(iv) Option Exercise Date(s):	[●]
	(v) Description of any other Issuer's option:	[●]
	(vi) Notice period (if other than as set out in the Conditions):	[●]
22	Put Option	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●]
	(iii) Option Exercise Date(s):	[●]
	(iv) Description of any other Noteholders' option:	[●]
	(v) Notice period (if other than as set out in the Conditions):	[●]
23	Final Redemption Amount	[Nominal amount/Other/See Appendix]
24	Early Redemption Amount	
	(i) Early Redemption Amount(s) payable on redemption for taxation reasons (Condition 5(c)), redemption for change of control of the Issuer (Condition 5(d)) or an event of default (Condition 9) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]
	(ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5(c)):	[Yes/No]
	(iii) Unmatured Coupons to become void upon early redemption (Condition 6(e)):	[Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25	Form of Notes:	[Bearer Notes/Registered Notes]
	[(i) Temporary or permanent global Note:]	[temporary Global Note/ permanent Global Note]
	[(ii) Permanent Global Note in respect of Exchanged Notes (Condition 6(h)):]	[Yes/Not Applicable]
	[(iii) Applicable TEFRA exemption:][delete (i) to (iii) if Registered Notes]	[C Rules/D Rules/Not Applicable]
	[Certificate] [delete if Bearer Notes]	[Certificate available on Issue Date]
26	Additional Financial Centre(s) (Condition 6(g)) or other special provisions relating to payment dates:	[Not Applicable/Give details. Note that this paragraph relates to the place of payment, and not interest period end dates, to which paragraph 17(iii) relates]]
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29	Details relating to Instalment Notes:	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	[●]
	(ii) Instalment Date(s):	[●]
	(iii) Minimum Instalment Amount:	[●]
	(iv) Maximum Instalment Amount:	[●]
30	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition [•]] [annexed to these Final Terms] apply]
31	Consolidation provisions:	[Not Applicable/The provisions [in Condition [•]] [annexed to these Final Terms] apply]

32	Other final terms or special conditions:[4]	[Not Applicable/*give details*]

DISTRIBUTION

33	(i) If syndicated, names of Managers	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]
	(iii) Dealer's Commission:	[●]
34	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
35	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

36	ISIN Code:	[●]
37	Common Code:	[●]
38	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
39	Delivery:	Delivery [against/free of] payment
40	The Agents appointed in respect of the Notes are:	[●]

[4] If full terms and conditions are to be used, please add the following here:
"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Listing Particulars for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary".
The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the final terms.

GENERAL

41	Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 10(a):	[Not Applicable/*give details*]
42	The aggregate nominal amount of Notes issued has been translated into [U.S. dollars] at the rate of [•], producing a sum of (for Notes not denominated in [U.S. dollars]):	[Not Applicable/[U.S.$][•]]

[RATING

The Notes are expected to be rated "[●]" by [●].

A Note rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.]

[LISTING APPLICATION

Application has been made to the Irish Stock Exchange for any Notes issued under the Programme for the period of 12 months from the date of the Listing Particulars to be listed on the Official List of the Irish Stock Exchange and to be admitted for trading on its Global Exchange Market.

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.$2,000,000,000 Euro Medium-Term Note Programme of Banco Daycoval S.A.]

[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[*Description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest*][So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer].

[STABILISING

In connection with this issue, [*insert name of Stabilising Manager*] (the "Stabilising Agent") or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilising Agent or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.]

MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There][5] has been no significant change in the financial or trading position of the Issuer, or of the Issuer's Group since [*insert date of last audited accounts or interim accounts*

[5] If any change is disclosed in the Final Terms, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Listing Particulars rather than in Final Terms.

(if later)] and no material adverse change in the financial position or prospects of the Issuer, or of the Issuer's Group since [*insert date of last published annual accounts.*]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Listing Particulars [and the supplemental Listing Particulars] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: ________________________

Duly authorised

By: ________________________

Duly authorised

FINANCIAL STATEMENTS OF THE ISSUER

Financial Statements for the Nine-Month Periods Ended September 30, 2010 and 2009

Financial Statements for the Years Ended December 31, 2009 and 2008

Financial Statements for the Years Ended December 31, 2008 and 2007

Banco Daycoval S.A.

Financial Statements for the Nine-month Period Ended September 30, 2010 and 2009 and Independent Accountants' Limited Review Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte Touche Tohmatsu
Rua José Guerra, 127
04719-030 - São Paulo - SP
Brasil

Tel.: +55 (11) 5186-1000
Fax: +55 (11) 5181-2911
www.deloitte.com.br

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Management and Shareholders of
Banco Daycoval S.A.
São Paulo - SP

1. We have performed a limited review of the accompanying individual financial statements of Banco Daycoval S.A. (Bank) and the consolidated financial statements of the Bank and its subsidiaries and special purpose entities represented by the receivables and multimarket investment funds (Consolidated), consisting of the individual and consolidated balance sheets as of September 30, 2010 and 2009, the related statements of income, changes in shareholder's equity (Bank), cash flows and value added for nine-month periods then ended, all expressed in Brazilian reais and prepared under the responsibility of the Bank's Management.

2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Brazilian Federal Accounting Council (CFC), and consisted principally of applying analytical procedures to financial data and making inquiries of certain officials of the Bank and its subsidiaries who have responsibility for accounting and financial matters about the criteria adopted in the preparation of the individual and consolidated financial statements for the nine-month periods ended September 30, 2010 and 2009. As this review does not constitute an audit performed in conformity with Brazilian standards on auditing, we do not express any opinion on the financial statements referred to in paragraph 1 above.

3. Based on our limited review, we are not aware of any material modifications that should be made to the individual and consolidated financial statements referred to in paragraph 1 for them to be in conformity with accounting practices adopted in Brazil, applicable to financial institutions authorized to operate and regulated by the Central Bank of Brazil (BACEN).

São Paulo, November 5, 2010

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Gilberto Bizerra de Souza
Engagement Partner

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2010 AND 2009
(In thousands of Brazilian reais - R$)

		2010		2009	
ASSETS	Note	Bank	Consolidated	Bank	Consolidated
CURRENT ASSETS		[illegible]	4,508,625	4,573,561	
Cash		[illegible]	30,544	30,766	
Interbank investments	5	[illegible]	1,669,362	1,669,362	
Money market investments		2,352,997	2,352,997	1,594,003	1,594,003
Interbank deposits		106,376	106,376	68,872	68,872
Foreign currency investments		5,419	5,419	6,487	6,487
Securities and derivatives	6 e 7.II.a)	[illegible]	470,725	448,135	
Own portfolio		261,144	198,722	263,915	240,037
Linked to repurchase commitments		1,002	1,002	114,436	114,436
Derivatives		18,523	18,523	25,373	25,373
Linked to guarantees		1,930	1,930	67,001	67,001
Asset-backed technical reserves		-	2,027	-	1,288
Interbank accounts		[illegible]	9,102	9,102	
Payments and receipts pending settlement		5,771	5,771	3,093	3,093
Restricted deposits-					
Central Bank of Brazil		2,918	2,918	2,209	2,209
Correspondents		8,483	8,483	3,800	3,800
Lending operations		[illegible]	2,039,743	2,125,050	
Lending operations - Public sector	8	6,989	6,989	4,757	4,757
Lending operations - Private sector	8	3,169,923	3,292,448	2,246,210	2,342,078
(Allowance for loan losses)	9	(111,981)	(122,223)	(211,224)	(221,785)
Other receivables		[illegible]	232,246	234,243	
Foreign exchange portfolio	10.a)	187,312	187,312	81,403	81,403
Income receivable		1,239	1,996	233	827
Insurance premiums	18.a)	-	450	-	463
Trading account	7.II.a)	30	30	2,031	2,031
Other	10.b)	254,667	256,760	150,973	151,913
(Allowance for other loan losses)	9	(429)	(429)	(2,394)	(2,394)
Other assets	11	[illegible]	56,903	56,903	
Repossessed assets		28,805	28,805	26,259	26,259
(Allowance for repossessed assets losses)		(4,045)	(4,045)	(4,769)	(4,769)
Prepaid expenses		36,947	36,948	35,413	35,413
NONCURRENT					
LONG-TERM ASSETS		[illegible]	1,495,775	1,592,614	
Interbank investments	5	[illegible]		-	-
Interbank deposits		19,202	19,202	-	-
Securities and derivatives	6 e 7.II.a)	[illegible]	337,351	355,554	
Own portfolio		490,697	549,950	143,560	156,383
Linked to repurchase commitments		289,206	289,206	190,221	190,221
Derivatives		3,806	3,806	2,768	2,768
Linked to guarantees		41,341	41,341	802	802
Asset-backed technical reserves		-	18,688	-	5,380
Lending operations		[illegible]	923,308	1,001,935	
Lending operations - Public sector	8	7,518	7,518	2,379	2,379
Lending operations - Private sector	8	1,621,856	1,672,435	965,326	1,043,953
(Allowance for loan losses)	9	(47,494)	(47,494)	(44,397)	(44,397)
Other receivables		280,134	280,141	204,524	204,533
Other	10.b)	280,134	280,141	204,524	204,533
Other assets	11	[illegible]	30,592	30,592	
Prepaid expenses		32,748	32,748	30,592	30,592
PERMANENT ASSETS		[illegible]	63,760	11,208	
Investments		[illegible]	58,257	382	
In local subsidiaries	12	164,680	-	58,013	138
Other investments		245	391	244	244
Property, plant and equipment	14	[illegible]	5,434	10,746	
Properties		-	10,469	-	10,469
(Accumulated depreciation)			(5,863)	-	(5,481)
Other		9,867	10,607	9,611	10,346
(Accumulated depreciation)		(4,675)	(5,224)	(4,177)	(4,588)
Intangible assets		[illegible]	69	80	
Intangible assets		283	295	338	349
(Accumulated amortization)		(250)	(250)	(269)	(269)
TOTAL ASSETS		[illegible]	6,068,160	6,177,383	

The accompanying notes are an integral part of these financial statements.

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2010 AND 2009
(In thousands of Brazilian reais - R$)

		2010		2009	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Bank	Consolidated	Bank	Consolidated
CURRENT LIABILITIES		[illegible]	2,540,075	2,539,005	
Deposits	15	[illegible]	1,280,440	1,274,649	
Demand deposits		332,905	332,374	89,750	89,556
Interbank deposits		28,318	28,318	146,115	146,115
Time deposits		1,395,679	1,395,679	1,042,120	1,036,523
Foreign currency deposits		1,645	1,645	862	862
Other deposits		-	-	1,593	1,593
Money market funding	15	[illegible]	320,890	320,858	
Own portfolio		288,719	257,000	301,889	301,857
Third parties		1,467,217	1,467,217	19,001	19,001
Funds from acceptance and issuance of securities	16	[illegible]	421,077	417,078	
Securities issued abroad		169,783	169,777	421,077	417,078
Interbank accounts		4,605	1,885	1,885	
Receipts and payments pending settlement		4,605	4,605	1,885	1,885
Interbranch accounts		[illegible]	4,325	4,325	
Third-party funds in transit		10,597	10,597	4,325	4,325
Borrowings and onlendings	17	[illegible]	356,117	356,117	
Foreign borrowings		535,318	536,574	313,136	313,136
Domestic onlendings					
BNDES		59,333	59,333	7,701	7,701
FINAME		27,423	27,423	3,646	3,646
Foreign onlendings		-	-	31,634	31,634
Derivatives	7.II.a)	[illegible]	345	404	
Derivatives		14,306	14,306	345	404
Technical reserves - insurance	18.b)	-	20,548	-	6,552
Other payables		[illegible]	154,996	157,137	
Collected taxes and other		3,392	3,392	1,817	1,817
Foreign exchange portfolio	19.a)	6,542	6,542	11,532	11,532
Social and statutory	19.b)	37,893	38,059	29,630	29,781
Tax and social security	19.c)	81,516	85,449	62,291	64,054
Trading account	7.II.a)	847	847	3,867	3,867
Other	19.d)	43,599	46,827	45,859	46,086
NONCURRENT					
LONG-TERM LIABILITIES		[illegible]	1,876,056	1,985,805	
Deposits	15	[illegible]	1,057,976	1,056,804	
Interbank deposits		-	-	4,621	4,621
Time deposits		1,559,217	1,489,837	1,053,355	1,052,183
Funds from acceptance and issuance of securities	16	[illegible]	172,438	172,438	
Financial letters		1,007	1,007		
Securities issued abroad		488,776	486,223	172,438	172,438
Borrowings and onlendings	17	[illegible]	289,948	400,865	
Domestic borrowings		-	98,883	-	110,917
Foreign borrowings		384,649	384,649	263,729	263,729
Domestic onlendings					
BNDES		58,036	58,036	16,718	16,718
FINAME		104,932	104,932	9,219	9,219
Foreign onlendings		-	-	282	282
Derivatives	7.II.a)	[illegible]	18,334	18,334	
Derivatives		34,445	34,445	18,334	18,334
Other payables		[illegible]	337,360	337,364	
Tax and social security	19.c)	415,246	415,265	332,292	332,296
Other	19.d)	8,927	8,927	5,068	5,068
DEFERRED INCOME		4,275	5,689	5,689	
Deferred income		4,275	4,275	5,689	5,689
MINORITY INTEREST		-	582	-	544
SHAREHOLDERS' EQUITY		[illegible]	1,646,340	1,646,340	
Capital					
Brazilian residents		1,359,143	1,359,143	1,359,143	1,359,143
Capital reserves		192	192	192	192
Revaluation reserves	22.f)	1,467	1,467	1,595	1,595
Earnings reserves	22.f)	252,189	252,189	272,046	272,046
Valuation adjustments to equity		4,057	4,057	1,070	1,070
Treasury shares	22.d)	(7,899)	(7,899)	(38,992)	(38,992)
Retained earnings		126,491	126,491	51,286	51,286
TOTAL LIABILITIES		[illegible]	6,068,160	6,177,383	

The accompanying notes are an integral part of these financial statements.

BANCO DAYCOVAL S.A.

STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009
(In thousands of Brazilian reais - R$, except when otherwise indicated)

	Note	2010 Bank	2010 Consolidated	2009 Bank	2009 Consolidated
INCOME FROM FINANCIAL INTERMEDIATION		[illegible]	515,945	550,917	
Lending operations		659,038	686,522	546,464	579,770
Securities transactions		233,723	232,535	203,483	205,207
Derivatives	7.II.i)	(17,471)	(17,454)	(234,002)	(234,060)
Foreign exchange transactions		14,583	14,583	-	-
EXPENSES ON FINANCIAL INTERMEDIATION		[illegible]	(499,520)	(528,392)	
Funding operations		(351,713)	(349,291)	(249,248)	(248,636)
Borrowings and onlendings		(32,365)	(51,203)	(19,956)	(49,438)
Foreign exchange transactions		(468)	(468)	(7,744)	(7,746)
Allowance for loan losses	9	(119,414)	(119,414)	(222,572)	(222,572)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		385,913	395,810	16,425	22,525
OTHER OPERATING (EXPENSES) INCOME		[illegible]	152,708	148,780	
Income from services provided		21,010	24,261	11,998	13,042
Financial results from insurance operations	18.d)	-	2,262	-	2,344
Personnel expenses		(65,050)	(65,955)	(45,625)	(46,155)
Other administrative expenses	23.a)	(77,566)	(80,252)	(80,395)	(82,643)
Tax expenses		(28,721)	(29,696)	(26,548)	(27,192)
Equity in subsidiaries		6,225	-	(1,795)	-
Other operating income	23.b)	106,429	107,526	332,430	332,909
Other operating expenses	23.c)	(45,591)	(48,021)	(37,357)	(43,525)
INCOME FROM OPERATIONS		302,649	305,935	169,133	171,305
NONOPERATING (EXPENSES), NET		(8,025)	(8,025)	(11,840)	(11,872)
INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING		294,624	297,910	157,293	159,433
INCOME TAX AND SOCIAL CONTRIBUTION	20.a)	[illegible]	(20,563)	(22,467)	
Provision for income tax		(44,533)	(46,668)	(57,504)	(58,809)
Provision for social contribution		(27,027)	(27,909)	(31,165)	(31,764)
Deferred tax credit		191	191	68,106	68,106
PROFIT SHARING	25.1	(19,441)	(19,681)	(8,113)	(8,316)
MINORITY INTEREST		-	(29)	-	(33)
NET INCOME		[illegible]	128,617	128,617	
NUMBER OF SHARES	22.b)	[illegible]	216,324	216,324	
EARNINGS PER SHARE - R$		[illegible]	0.59456	0.59456	

The accompanying notes are an integral part of these financial statements.

BANCO DAYCOVAL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009
(In thousands of Brazilian reais - R$)

					Earnings reserves			Valuation			
	Note	Capital	Capital reserves	Revaluation reserves	Legal reserves	Unearned income	Statutory reserves	adjustments to equity	Treasury shares	Retained earnings	Total
BALANCES AS OF DECEMBER 31, 2008		1,359,143	170	1,991	20,308	12,409	235,000	(4,919)	(16,874)	-	1,607,228
Adjustment to fair value - securities and derivatives		-	-	-	-	-	-	5,989	-	-	5,989
Share buyback	22.d)	-	-	-	-	-	-	-	(22,118)	-	(22,118)
Adjustment of membership certificates		-	22	-	-	-	-	-	-	-	22
Realization of revaluation reserve		-	-	(396)	-	-	-	-	-	564	168
Income tax and social contribution on subsidiary revaluation		-	-		-	-	-	-	-	-	-
Net income		-	-	-	-	-	-	-	-	128,617	128,617
Destination:											
Legal reserve		-	-	-	4,329	-	-	-	-	(4,329)	-
Interest on capital	22.e)	-	-	-	-	-	-	-	-	(73,566)	(73,566)
BALANCES AS OF SEPTEMBER 30, 2009		1,359,143	1,595	24,637	12,409	235,000	1,070	(38,992)	51,286	1,646,340	
BALANCES AS OF DECEMBER 31, 2009		1,359,143	192	1,569	30,863	12,409	302,615	460	(14,533)	-	1,692,718
Adjustment to fair value - securities and derivatives		-	-	-	-	-	-	3,597	-	122	3,719
Share buyback	22.d)	-	-	-	-	-	(2,913)	-	6,634	-	3,721
Realization of revaluation reserve		-	-	(102)	-	-	-	-	-		(102)
Income tax and social contribution on subsidiary revaluation		-	-		-	-	-	-	-	-	-
Net income		-	-	-	-	-	-	-	-	203,814	203,814
Destination:											
Legal reserve		-	-	-	5,940	-	-	-	-	(5,940)	-
Dividends		-	-	-	-	-	(96,725)	-	-	-	(96,725)
Interest on capital	22.e)	-	-	-	-	-	-	-	-	(71,505)	(71,505)
BALANCES AS OF SEPTEMBER 30, 2010		1,359,143	1,467	36,803	12,409	202,977	4,057	(7,899)	126,491	1,735,640	

The accompanying notes are an integral part of these financial statements.

BANCO DAYCOVAL S.A.

STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009
(In thousands of Brazilian reais - R$)

	2010		2009	
	Bank	Consolidated	Bank	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME	203,814	203,814	128,617	128,617
Reconciliation of net income to net cash provided by operating activities:				
Adjustment to fair value – Securities and derivatives	3,597	3,597	5,989	5,989
Adjustment of membership certificates	-	-	22	22
Depreciation and amortization	1,039	1,429	1,095	1,473
Income tax and social contribution on revaluation reserve	-	20	21	168
Deferred taxes	(191)	(191)	(64,868)	(64,857)
Reserve for contingencies	71,324	71,324	85,357	85,357
Allowance for loan losses	119,987	119,987	233,933	233,933
Allowance for other loan losses	(573)	(573)	(11,361)	(11,361)
Allowance for losses on repossessed assets losses	(735)	(735)	(2,606)	(2,606)
Equity in subsidiaries	(6,225)	-	1,795	-
Total reconciliation adjusments	188,223	194,858	249,377	248,118
ADJUSTED NET INCOME	392,037	398,672	377,994	376,735
CHANGES IN ASSETS AND LIABILITIES	[illegible]	175,973	176,815	
Increase in interbank investments	(63,803)	(63,804)	(75,358)	(75,358)
(Increase) decrease in securities and derivatives	(223,642)	(250,992)	36,535	11,053
Decrease in interbank and interbranch accounts	11,894	11,894	6,849	6,849
(Increase) decrease in lending operations	(1,479,011)	(1,464,492)	(29,013)	38,290
(Increase) decrease in other receivables	(254,311)	(256,874)	97,536	96,734
(Increase) decrease in other assets	(12,796)	(12,796)	30,308	30,307
Increase in deposits	924,919	866,024	576,237	574,485
Increase (decrease) in money market funding	43,028	12,918	(138,541)	(138,573)
Increase (decrease) in funds from acceptance and issuance of securities	283,484	283,547	(193,564)	(195,980)
Increase (decrease) in borrowings and onlendings	416,136	394,262	(84,355)	(124,510)
Increase (decrease) in other payables	11,585	30,094	(48,792)	(44,613)
Decrease in deferred income	(732)	(732)	(1,869)	(1,869)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	[illegible]	553,967	553,550	
INVESTING ACTIVITIES				
Sale of property, plant and equipment	36	36	148	559
Purchase of property, plant and equipment	(978)	(978)	(61)	(61)
Capital increase in subsidiaries	(100,000)	-	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	[illegible]	87	498	
FINANCING ACTIVITIES				
Dividends and interest on capital	(167,387)	(167,387)	(73,566)	(73,566)
Shares buyback	3,721	3,721	(22,118)	(22,118)
NET CASH USED IN FINANCING ACTIVITIES	(163,666)	(163,666)	(95,684)	(95,684)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	[illegible]	458,370	458,364	
Cash and cash equivalents at beginning of period	1,163,204	1,164,705	1,164,342	1,164,570
Cash and cash equivalents at end of period	947,384	947,818	1,622,712	1,622,934
Changes in cash and cash equivalents	[illegible]	458,370	458,364	

The accompanying notes are an integral part of these financial statements.

BANCO DAYCOVAL S.A.

STATEMENTS OF VALUE ADDED
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2009
(Em milhares de reais - R$)

	2010		2009	
	Bank	Consolidated	Bank	Consolidated
REVENUE	862,436 892,931	604,512	637,347	
Income from financial intermediation	889,873	916,186	515,945	551,117
Revenue from services	21,010	24,261	11,998	13,042
Allowance for loan losses	(119,414)	(119,414)	(222,572)	(222,572)
Other	70,967	71,898	299,141	295,760
EXPENSES	(384,545) (400,962)	(276,949)	(305,820)	
Expenses on financial intermediation	(384,545)	(400,962)	(276,949)	(305,820)
INPUTS PURCHASED FROM THIRD PARTIES	(70,832) (73,094)	(74,118)	(76,145)	
Materials and utilities	(15,936)	(17,393)	(15,292)	(17,000)
Outside services	(54,900)	(55,705)	(58,873)	(58,996)
Asset recovery	4	4	47	(149)
GROSS VALUE ADDED	407,059	418,875	253,445	255,382
DEPRECIATION AND AMORTIZATION	(1,039)	(1,429)	(1,094)	(1,473)
WEALTH CREATED	406,020	417,446	252,351	253,909
WEALTH RECEIVED IN TRANSFER	6,225	-	(1,795)	-
Equity in subsidiaries	6,225	-	(1,795)	-
WEALTH FOR DISTRIBUTION	412,245 417,446	250,556	253,909	
DISTRIBUTION OF WEALTH	412,245 417,446	250,556	253,829	
Employees	73,700 74,684	46,171	46,726	
Salaries and wages	43,796	44,411	29,558	29,860
Benefits	27,496	27,818	14,617	14,844
Severance pay fund - FGTS	2,408	2,455	1,996	2,022
Taxes	129,040 133,195	70,631	73,278	
Federal	126,863	130,906	69,137	71,721
State	561	573	378	399
Municipal	1,616	1,716	1,116	1,158
Third parties	5,691 5,724	5,137	5,175	
Rental	5,691	5,724	5,137	5,175
Shareholders	203,814 203,843	128,617	128,650	
Interest on capital	71,505	71,505	73,566	73,566
Retained earnings	132,309	132,309	55,051	55,051
Non-controlling interests in retained earnings	-	29	-	33

The accompanying notes are an integral part of these financial statements.

1. OPERATIONS

Banco Daycoval S.A. (the "Bank") is a multiple service bank authorized to operate commercial, foreign exchange, investment, credit and financing portfolios and, through its direct and indirect subsidiaries, is active in third-party asset management, life insurance and pension plan, and provision of services. The Daycoval Conglomerate's companies conduct business on an integrated basis.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Bank's financial statements, including its foreign branch, and the consolidated financial statements ("Consolidated") have been prepared in accordance with the accounting criteria set forth by Brazilian Corporate Law - Law 6404/76, the changes introduced by Law 11638/07 and Law 11941/09, for the recording of transactions, together with, the standards and instructions of the National Monetary Council (CMN), the Central Bank of Brazil (BACEN), and the Standard Chart of Accounts for Financial Institutions (COSIF), the Brazilian Securities and Exchange Commission (CVM), the Private Insurance Authority (SUSEP) and the Accounting Pronouncements Committee (CPC), if applicable.

During the year ended December 31, 2009, the Accounting Pronouncements Committee (CPC) issued standards relating to the convergence with international reporting standards. Although such standards have been approved by CVM, not all have been ratified by BACEN. Accordingly, in preparing its consolidated financial statements, the Bank adopted only those pronouncements that have already been ratified by BACEN, namely:

a) CPC 01 - Impairment of Assets (BACEN Resolution 3566/08).

b) CPC 03 - Statements of Cash Flows (BACEN Resolution 3604/08).

c) CPC 05 - Related-party disclosures (BACEN Resolution 3750/09).

d) CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (BACEN Resolution 3823/09).

In the consolidated financial statements, the balances and transactions between the Bank, its foreign branch, its direct and indirect subsidiaries and special purpose entities, represented by the receivables investment fund and balanced fund, have been eliminated. Net income and shareholders' equity amounts related to non-controlling interests were disclosed in a separate caption. The financial statements of the foreign branch and indirect subsidiary had the accounting criteria adjusted to the Brazilian accounting practices and translated into Brazilian reais.

The consolidated financial statements include the accounts of the Bank, its foreign branch, and the following direct and indirect subsidiaries and special purpose entities as follows:

	Ownership interest - %	
	2010	2009
Financial activity - Foreign branch		
Banco Daycoval S.A. - Cayman Branch (1)	100.00	100.00
Insurance and pension plan activity		
Dayprev Vida e Previdência S.A. ("Dayprev")	97.00	97.00
Non-financial activity		
ACS Participações Ltda. ("ACS")	99.99	99.99
Daycoval Asset Management Administração de Recursos Ltda.	99.99	99.99
Treetop Investments Ltd. ("Treetop")	99.99	99.99
IFP Planejamento e Consultoria em Informática Ltda. ("IFP")	99.99	99.99
SCC Assessoria em Cadastro e Cobrança Ltda. ("SCC")	99.99	99.99
Special Purpose Entities - SPE		
Daycoval Fundo de Investimento em Direitos Creditórios ("Daycoval FIDC") (1) (2)	-	100.00
Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC") (1)	100.00	100.00
Daycoval Classic Fundo de Investimento Multimercado Crédito Privado ("Daycoval Classic")	94.85	96.72

(1) The ownership percentage refers to the total subordinated shares held by the Bank in Daycoval FIDC and Daycoval Veículos FIDC.

(2) Daycoval FIDC discontinued activities on October 19, 2009.

(3) Beginning of activities on April 28, 2009.

2.a) Consolidation of receivables investment fund

In the consolidation of Daycoval FIDC and Daycoval Veículos FIDC, the balances of the receivables portfolio and the allowance for loan losses were incorporated into the Bank's loan portfolio, with recording of the financing under the caption "Borrowings and onlendings - domestic borrowings", net of investments in receivables investment fund shares represented by subordinated shares held by the Bank in Daycoval FIDC and Daycoval Veículos FIDC.

Additionally, income from Daycoval FIDC and Daycoval Veículos FIDC receivables was recorded under the caption "Lending operations" in the statement of income, and the cost of financing, related to senior shares, was recorded under the caption "Borrowings and Onlendings". The income earned by the Bank from appreciation of its shares in Daycoval FIDC and Daycoval Veículos FIDC, which was originally recorded under the caption "Securities transactions", was reclassified to the caption "Lending operations", in order to present fairly the operation in the consolidated financial statements.

As provided for by CVM/SNC-SEP Circular Letter No. 01/07, of February 14, 2007, the Bank's Management added the balances of receivables and allowance for loan losses to the consolidated financial statements for the nine-month periods ended September 30, 2010 and 2009, as it considers that the control (receiving, onlending and collection) of receivables assigned to Daycoval Veículos FIDC is under its responsibility, which in substance represents the provision of guarantees to Fund investors in relation to the receiving of these receivables.

The following is the main information on Daycoval FIDC and Daycoval Veículos FIDC (FIDCs), pursuant to CVM Instruction No. 408/05:

I. Characteristics of FIDCs

Daycoval FIDC:

Daycoval FIDC is managed by Intrag Distribuidora de Títulos e Valores Mobiliários Ltda. and was established as a closed-end fund available to qualified investors according to prevailing regulation. Daycoval FIDC started operations on September 13, 2006, for a term of 3 years from the first payment of 1st series senior shares of the Fund.

Daycoval Veículos FIDC:

Daycoval Veículos FIDC is managed by *Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.* and was established as a closed-end fund available to qualified investors according to prevailing regulation. Daycoval Veículos FIDC started operations on August 11, 2008, for a term of 10 years from the first payment of 1st series senior shares of the Fund.

II. Name, type, purpose and activities of the FIDCs:

The purpose of the FIDCs is to provide its investors with the appreciation of its shares by investing money principally in the acquisition of receivables from the financial industry, entered into by the Bank (Assignor) and its customers. These receivables arise from: (i) discounted notes and bank loan notes (CCB) transactions for Daycoval FIDC; and (ii) vehicles financing for Daycoval Veículos FIDC.

The FIDCs will seek to achieve, but will not guarantee, yield equivalent to 106% and 113% of the DI (interbank deposit rate), in the medium and long-term, respectively for Daycoval FIDC and Daycoval Veículos FIDC. This benchmark applies to senior shares and there is no preestablished benchmark for subordinated shares.

III. Share of FIDC's net assets and profits

According to article 24, item XV, of CVM Instruction 356, as amended by CVM Instruction 393, FIDCs should maintain a minimum ratio between the senior shares' value and FIDC s' net equity. This ratio shall be daily determined and monthly reported to the Fund's investors

The table below shows minimum ratios between senior and subordinated share's value to FIDC's net equity:

	% to FIDC's net equity	
	September 30, 2009	September 30, 2010 and 2009
	Daycoval FIDC (1)	Daycoval Veículos FIDC (2)
Senior shares	80.00	77.00
Subordinated shares	20.00	23.00

(1) Pursuant to Article 36 of Fund Regulation;

(2) Pursuant to Article 11.12 of Fund Regulation.

IV. Nature of Bank's involvement with FIDCs, and type of exposure to loss, if any, arising from this involvement:

It is solely the responsibility of the Assignor (Bank) to ensure that the receivables satisfy assignment conditions, without affecting the assignee's (FIDCs) right to do so, directly or by means of third parties.

V. Amount and nature of receivables and payables between the Bank and FIDCs, assets transferred by the Bank and rights of use of FIDCs' assets

Daycoval FIDC:

In the nine-month period ended September, 2009, the Bank assigned to Daycoval FIDC, without any co-obligation, vehicle financing operations in the amount of R$112,639.

Daycoval FIDC discontinued activities on October 19, 2009.

Daycoval Veículos FIDC:

In the nine-month periods ended September 30, 2010 and 2009, the Bank assigned to Daycoval Veículos FIDC, without any co-obligation, vehicle financing operations in the amounts of R$90,689 and R$51,566, respectively.

No income on the assignment of receivables to the FIDCs has been recorded by the Bank.

Additionally, as investments in FIDCs subordinated shares were maintained, the Bank recognized the effect of variation in these shares under the "Securities transactions" caption, as shown below:

	Nine-month periods ended	
	September 30, 2010	September 30, 2009
Daycoval FIDC (1)	-	9,262
Daycoval Veículos FIDC	8,737	982

(1) Daycoval FIDC discontinued activities on October 19, 2009.

VI. The balance sheets of the FIDCs as of September 30, 2010 and 2009 were as follows:

Daycoval FIDC(1)

Assets **2009**		**Liabilities** **2009**	
Cash and cash equivalents 6		Other payables	44
Securities 429		Shareholders' equity	391
		Subordinated shares	391
Total assets	**435**	**Total liabilities**	**435**

(1) Daycoval FIDC discontinues activities on October 19, 2009.

Daycoval Veículos FIDC

Assets 2010		**2009**	**Liabilities**	**2010**	**2009**
Cash and cash equivalents	21	344			
Interbank investments	10,590	31,949	Derivatives	638	13,469
Securities and derivatives	11,301	23,464	Other payables	41	45
Federal government securities	11,301	23,430			
Derivatives -		34			
Lending operations	162,862	163,934	Shareholders' equity	184,095	206,177
Receivables 173,104		174,495	Senior shares	120,116	153,160
(-) Allowance for losses on receivables Provisão para perdas com direitos creditórios (10,242)		(10,561)	Subordinated shares	63,979	53,017
Total assets	**184,774**	**219,691**	**Total liabilities**	**184,774**	**219,691**

VII. Guarantees, sureties, mortgages or othe r co llateral in f avor of Daycoval FIDC and Daycoval Veículos FIDC:

The Bank has provided no guarantee, suret y, mortgage or othe r coll ateral i n favor of Daycoval FIDC, Daycoval Veículos FIDC or its investors.

VIII. Identification of the principal benef iciary or group of principa l beneficiaries of FIDC activities:

The Bank holds all subordinated shar es of Daycoval FIDC and Daycoval Veículos FIDC; the senior shares are held by qualified investors.

2.b) Consolidation process and informati on of Daycoval Classic Investm ent Fund Multimarket Crédito Privado ("Daycoval Classic")

In the cons olidation of Daycoval Classic Fundo de Investim ento M ultimercado Crédito Privado ("Day coval Classic"), the b alance of th e securities portfolio was incorporated into the Bank's respe ctive portfolio, while the balance of investments in fund shares, represented by the shares m aintained by the B ank in Daycoval Classic, was eliminated.

Income from Daycoval Classic share was m aintained in the caption wh ere it had been originally recorded ("Securities transactions"), with no reclassification being required.

Following is the main information on Daycoval Classic, pursuant to CVM Instruction 408/05:

I. Characteristics of Daycoval Classic:

Managed by Daycoval Asset Management Administração de Recursos Ltda., Daycoval Classic was structured as an open-end fund available only to a restrict group of investors primarily comprised of the Bank and its subsidiaries and affiliates. Daycoval Classic started operations on April 28, 2009 and shall remain active for an indeterminate term.

II. Name, type, purpose and activities of Daycoval Classic:

The purpose of Daycoval Classic is to provide its investors with the appreciation of its shares by investing money in low, medium and high credit-risk, fixed-income securities that expose its portfolio to the fluctuations in domestic interest rates and/or price indices, according to Fund regulations.

III. Share of Daycoval Classic's net assets and profits:

The Bank's interest is proportional to the number of shares held in Daycoval Classic.

IV. Nature of Bank's involvement with Daycoval Classic and type of exposure to loss, if any, arising from this involvement:

Daycoval Classic's investment portfolio is subject to the fluctuations in price and/or market quotations, credit and liquidity risks and to the fluctuations in prices and quotations relating to its assets, securities and operations, which may result in loss for Daycoval Classic, the investors, or even negative equity, in which case investors, upon the fund manager's request, are called to make contributions to cover losses.

V. Gains (losses) on shares held in Daycoval Classic:

As a result of its investments in Daycoval Classic, the Bank recognized in "Securities transactions" the gains (losses) on shares held, as shown below:

	Nine-month periods ended	
	September 30, 2010	**September 30, 2009(1)**
Daycoval Classic	17,722	6,496

(1) Refers to the gain (loss) from the appreciation of the shares held by the Bank in Daycoval Classic between April 28 (beginning of operations) and September 30, 2009.

VI. The financial position of Daycoval Classic as of September 30, 2010 and 2009 was as follows:

Daycoval Classic					
Assets	**2010**	**2009**	**Liabilities**	**2010**	**2009**
			Other payables	33	32
Interbank investments	33,440	33			
Securities	227,652	225,470	Shareholders' equity	261,060	225,472
			Investment shares	242,704	218,923
Other receivables	1	1	Retained earnings	18,356	6,549
Total assets	261,093	225,504	Total liabilities	261,093	225,504

VII. Guarantees, sureties, mortgages or other collateral in favor of Daycoval Classic:

The Bank has provided no guarantee, surety, mortgage or other collateral in favor of Daycoval Classic or its investors.

VIII. Identification of the principal beneficiary or group of principal beneficiaries of Daycoval Classic's activities:

The Bank holds substantial part of total shares of Daycoval Classic's net equity.

3. SIGNIFICANT ACCOUNTING PRACTICES

Significant accounting practices applied in the preparation of the financial statements are as follows:

a) Income and expenses are recorded on the accrual basis. Operations with fixed rates are stated at redemption amount, and income and expenses for future periods are reported as a reduction of the related assets and liabilities. Financial income and expenses are calculated under the exponential method, except when resulting from discounted notes and foreign operations, which are calculated under the straight-line method. Operations with floating rates or indexed to foreign currencies are adjusted through the balance sheet date.

b) Interbank investments and other receivables, except securities and derivatives, are stated at cost, plus monetary and exchange variations and interest earned. When fair value is lower than carrying amount, an allowance is recorded to adjust the asset to realizable value.

c) Under BACEN Resolution 3604/08, cash and cash equivalents are represented by cash and deposits in financial institutions, recorded under the captions "Cash and cash equivalents", "interbank investments", and "securities" classified in the trading portfolio, whose total application term is 90 days, and the change in their fair value is considered immaterial.

d) Securities are stated at cost plus income earned, as detailed below: (i) fixed-income securities are adjusted at the applicable interest rate through their maturities; (ii) shares are adjusted based on the average price informed by the Stock Exchange which trades more shares; and (iii) investments in investment funds adjusted based on the share value informed by the fund managers.

   Securities can be classified in conformity with BACEN Circular No. 3068/2001 into one of the following three categories:

   - Trading securities - securities bought and held principally for the purpose of selling them in the near term and reported at fair value, with unrealized gains and losses included in income for the period.

   - Available-for-sale securities - securities not classified as either trading securities or held-to-maturity securities. Unrealized gains and losses are reported in a separate component of shareholders' equity, net of taxes, and are included in income for the year when realized.

   - Held-to-maturity securities - securities that the enterprise has the positive intent and ability to hold to maturity and stated at cost, plus income earned, included in income for the period.

   Bonuses resulting from investments in shares of publicly-traded companies are recorded in securities portfolio only according to the respective number, without modifying the value of investments, when the corresponding shares are considered ex-rights on the stock exchange.

   Dividends and interest on capital from investments in publicly-traded companies are recorded as income when related shares are considered ex-rights on the stock exchange.

e) Derivatives consist of option, forward, futures and swap transactions and are reported in conformity with BACEN Circular No. 3082/02, as described below:

   - Option transactions - premiums received or paid are recorded at fair value under the caption "Derivatives" in assets or liabilities, respectively, until the exercise of the option, and reported as a decrease or increase in the cost of the asset for the exercise of the option or as income or expense in the event of non-exercise.

   - Futures transactions - daily adjustments are recorded at fair value under the caption "Trading account" in assets or liabilities and allocated daily to income or expense.

   - Currency swap and forward transactions - differential receivable or payable is recorded at fair value under the caption "Derivatives" in assets or liabilities, respectively, and allocated to income or expense.

   - Forward transactions - are recorded at final contract value, less the difference between that value and the cash price of the asset, with recognition of income and expenses over the contract periods.

Derivative transactions are stated at fair value as of the balance sheet date, with gains and losses reported as described below:

- Derivatives that not qualify as hedge - in income or expense in the statement of income.

- Derivatives that qualify as hedge - classified as market risk value or cash flow hedges.

Market risk hedges are intended to offset the exposure to changes in the fair value of the hedged item, with gains or losses included in income or expenses in the statement of income.

Cash flow hedges are intended to offset the changes in estimated future cash flows, with gains or losses, net of taxes, included in a separate component of shareholders' equity, and any other changes recorded in income or expense in the statement of income.

f) Lending operations are classified based on Management's risk assessment, considering the past experience with prior borrowers and guarantors, economic scenario, and specific and overall portfolio risks, pursuant to CMN Resolution No. 2682/99 ratified by the BACEN, which requires a periodic analysis of the portfolio and its classification into nine rating levels from AA (minimum risk) to H (maximum risk - loss).

Also pursuant to CMN Resolution No. 2682/99, income from lending operations past-due for more than 60 days, regardless of the risk level, is only recognized when actually received. H-rated loans remain as such for six months and, thereafter, are written off against the existing allowance and remain controlled in a memorandum account not shown on the balance sheet.

g) Foreign exchange transactions are stated at realizable values, plus income and exchange variations earned on a pro rata daily basis, and the allowance for doubtful account, pursuant to CMN Resolution 2682/99, when applicable

h) Insurance premiums are recorded in income when the respective insurance policies and invoices are issued and deferred on a straight-line basis, over the insurance policy effective term, i.e., within the risk coverage period, by recording and reversing the unearned premium reserve and deferred selling expenses.

i) Prepaid expenses related to commissions paid to third parties are controlled by contract and accounted for under the caption "Prepaid expenses". The recognition of such expenses as "Other administrative expenses" is made on a pro-rata temporis basis, over the term of the respective contracts, or fully recognized, when such contracts are settled in advance.

j) Investments in subsidiaries are stated under the equity method, which is applied to all associated companies in which the Bank has significant influence, that is, in which the Bank holds at least 20% of the voting capital.

k) Other investments are stated at cost, less allowance for loss, when applicable.

l) Property and equipment are stated at acquisition cost, except for real estate held by the subsidiary, which is recorded at acquisition cost plus revaluation at market value. Depreciation is calculated under the straight-line method at the annual rates stated in note 14, based on the economic useful lives of the assets.

m) Intangible assets correspond to rights acquired in intangible assets that are maintained or used in the operations of the Bank and its subsidiaries or exercised for such purpose; intangible assets with finite lives are amortized on a straight-line basis over the estimated period they will generate economic benefits.

n) The impairment of non-monetary assets is recognized when the carrying amount of an asset or a cash generating unit is higher than its recoverable or realizable value. A cash generating unit is the smallest identifiable group of assets which generates cash flows substantially independent from other assets and groups of assets. Impairment losses are recorded in the statement of income for the period when they are recognized, when applicable.

   The amounts of non-monetary items, except those recorded under the captions "Other assets" and "Other receivables - tax credits", are periodically, at least annually, tested for impairment. As of September 30, 2010 and 2009, there is no evidence of impairment of non-financial assets.

o) Known or estimated liabilities, payables and contingencies, including tax charges calculated based on income for the period, include interest and exchange rate change or inflation adjustment accrued through the balance sheet date. Liabilities in foreign currency are translated into local currency at the exchange rates in effect on the balance sheet date, as informed by BACEN, and liabilities subject to indexation are inflation adjusted through the balance sheet date. Hedged liabilities are adjusted to fair value.

p) The provision for income tax is recorded at the rate of 15%, plus a 10% surtax when applicable. Social contribution is calculated on net income adjusted under prevailing legislation, at the rate of 15%.

q) Income tax and social contribution credits are recognized on temporary additions and deductions and based on legislation in effect at the date of recognition. These tax credits will be realized when the amounts on which they were recognized are utilized and /or reversed.

r) Technical reserves - insurances - calculated in accordance with the technical notes approved by SUSEP and the criteria established by CNSP Resolution No. 162 of December 26, 2006 and subsequent changes introduced by CNSP Resolution No. 181 of December 19, 2007, as follows:

   - Reserve for unsettled claims - is recorded, based on notices of claims, in an amount sufficient to cover future commitments under legal disputes, where the amount is determined by experts and legal counsel that perform the assessments based on insured amount and technical regulations, taking into account the likelihood of unfavorable outcome to the insurance company.

   - Reserve for incurred but not reported losses (IBNR) - recorded to cover insured losses that have occurred but have not been reported.

s) Contingent assets and liabilities and legal, tax and social security obligations

For the year beginning January 1, 2010, contingent assets and liabilities and legal, tax and social security obligations are recognized, measured and disclosed as required by BACEN Resolution 3283/09, which approves CPC 25, as follows:

- Contingent assets are not recorded in the financial statements, except when there is evidence that they will be realized and are not subject to appeals.

- Contingent liabilities are recorded in the financial statements when the risk of loss on an administrative or judicial proceeding is assessed by the legal counsel and Management as probable, with probable outflow of funds to settle obligations, and when the amounts involved can be reliably measured. Contingent liabilities classified as possible loss by the legal counsel are only disclosed in notes to the financial statements. Those classified as remote loss do not require provision and disclosure.

- Legal obligations (tax and social security) refer to lawsuits challenging the legality and constitutionality of certain taxes and contributions. The amount under litigation is determined, accrued and adjusted monthly.

This new Resolution became effective January 1, 2010 and revokes BACEN Resolution 3535/08, and the changes introduced by the new BACEN regulations approving the Technical Pronouncement (CPC) 25, with respect to the recognition and measurement of contingent assets and liabilities and legal, tax and social security obligations, did not result in changes in the criteria adopted by Management nor have them required any accounting adjustments to the financial statements.

t) Earnings per share are calculated based on the number of shares at the balance sheet dates.

u) Uses of estimates - The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and other transactions, such as: (i) depreciation rates of property and equipment, (ii) amortization of intangible assets, and (iii) reserves for contingencies. Actual results could differ from those estimates.

v) Fixed asset and liability financial instruments are adjusted to present value by unearned income and unearned expenses, which adjust these instruments to the amounts that would be obtained in case they were cash transactions, as well as floating-rate financial instruments, which are realized at their cash value and are periodically adjusted by their respective transactions rates.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

Type	Bank 2010	Bank 2009	Consolidated 2010	Consolidated 2009
Cash	61,603	30,544	62,038	30,766
Money market investments(1)	885,781	1,575,003	885,780	1,575,003
Securities	-	17,165	-	17,165
Total Cash and Cash Equivalents	**947,384**	**1,622,712**	**947,818**	**1,622,934**

(1) Money market investments included in cash and cash equivalents are stated net of the amount recorded under the caption “Money market investments - third parties funding” which as of September 30, 2010 and 2009 total R$1,467,217 and R$19,001, respectively, both in Bank and Consolidated.

5. INTERBANK INVESTMENTS

Interbank investments are as follows:

	Bank e Consolidated			
	2010		2009	
Type	**Maturity**	**Amount**	**Maturity**	**Amount**
Money market investments	Up to 1 business day	2,352,997	Up to 1 business day	1,594,003
Interbank deposits	Up to March 2015	125,578	Up to May 2010	68,872
Foreign currencies	Up to July 2010	5,419	Up to 2 business days	6,487
Total		**2,483,994**		**1,669,362**

6. SECURITIES

a) By category and type:

	Bank			
	2010		2009	
Available-for-sale securities	**Adjusted Cost**	**Fair value (1)**	**Adjusted cost**	**Fair value (1)**
Own portfolio	**747,621**	**751,841**	**405,321**	**407,475**
National Treasury bills (LTN)	61,583	61,824	13,319	13,334
Treasury bills (LFT)	144,589	144,589	34,488	34,488
National Treasury notes (NTN)	146,984	145,701	47,856	48,510
Foreign fixed-income securities	70,735	75,480	27,905	29,343
Bank certificates of deposit (CDBs)	-	-	4,149	4,149
Investment fund shares	321,878	321,878	275,727	275,727
Shares of publicly-traded companies	1,852	2,369	1,877	1,924
Held under repurchase agreements	**289,273**	**290,208**	**305,677**	**304,657**
National Treasury bills (LTN)	67,063	67,388	98,997	98,423
Treasury bills (LFT)	120,079	120,079	114,437	114,436
National Treasury notes (NTN)	102,131	102,741	92,243	91,798
Linked to guarantees (2)	**43,267**	**43,271**	**67,667**	**67,803**
National Treasury bills (LTN)	4,062	4,066	9,045	9,182
Treasury bills (LFT)	39,205	39,205	58,622	58,621
Total	**1,080,161**	**1,085,320**	**778,665**	**779,935**

2010	Consolidated			
			2009	
Available-for-sale securities	Adjusted cost	Valor de mercado (1)	Custo atualizado	Valor de mercado (1)
Own portfolio	**744,461**	**748,672**	**394,297**	**396,420**
National Treasury bills (LTN) 70,818		71,049	22,601	22,596
Treasury bills (LFT)	183,528	183,528	62,496	62,494
National Treasury notes (NTN)	146,984	145,701	47,856	48,510
Foreign fixed-income securities	90,360	95,105	41,624	43,062
Bank certificates of deposit (CDBs)	135,458	135,458	154,804	154,804
Bank deposit receipt (RDB)	4,016	4,016	-	-
Debentures 10,	293	10,293	51,578	51,570
Investment fund shares	100,048	100,048	11,270	11,270
Shares of publicly-traded companies	2,956	3,474	2,068	2,114
Held under repurchase agreements 289,27	**3**	**290,208**	**305,677**	**304,657**
National Treasury bills (LTN) 67,063		67,388	98,997	98,423
Treasury bills (LFT)	120,079	120,079	114,43 7	114,436
National Treasury notes (NTN)	102,131	102,741	92,243	91,798
Linked to guarantees (2)	**43,267**	**43,271**	**67,667**	**67,803**
National Treasury bills (LTN) 4,062		4,066	9,045	9,182
Treasury bills (LFT)	39,205	39,205	58,622	58,621
Assets guaranteeing technical reserves (Note 18.c)	**20,677**	**20,715**	**6,657**	**6,668**
Treasury bills (LFT)	20,677	20,715	6,657	6,668
Total 1,	**097,678**	**1,102,866**	**774,298**	**775,548**

(1) *The securities' market value was calculated based on the prices and rates prevailing at September 30, 2010 and 2009, as disclosed by the Brazilian Financial and Capital Markets Association (ANBIMA), investment fund managers, BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, and other pricing agents for securities acquired abroad.*

(2) *As of September 30, 2010 and 2009, securities linked to guarantees refer to securities linked to: (i) transactions conducted at BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias & Futuros, in the amount of R$34,294 and R$54,804, respectively (Note 7.II.h); and (ii) transactions conducted in Clearing Houses, in the amount of R$8,977 and R$12,999, respectively.*

Breakdown by maturity:

	Bank						
	2010						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	**-**		**3,808**	**177,669**	**405,047**	**99,069**	**685,593**
National Treasury bills (LTN)	-		3,808	129,470	-	-	133,278
Treasury bills (LFT)	-		-	24,852	179,952	99,069	303,873
National Treasury notes (NTN)	-		-	23,347	225,095	-	248,442
Securities issued abroad	**-**		**-**	**-**	**1,114**	**74,366**	**75,480**
Securities of financial institutions							
Eurobonds and others	-		-	-	1,114	74,366	75,480
Private-sector securities	**2,369**		**-**	**-**	**-**	**-**	**2,369**
Shares of publicly-traded companies	2,369		-	-	-	-	2,369
Investment fund shares	**257,899**		**-**	**63,979**	**-**	**-**	**321,878**
Receivables fund	-		-	63,979	-	-	63,979
Real Estate Investment Fund	10,276		-	-	-	-	10,276
Multimarket funds	247,623		-	-	-	-	247,623
Total 26	**0,268**		**3,808**	**241,648**	**406,161**	**173,435**	**1,085,320**

	2009						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	-	120,123	94,133	190,337	64,199	-	468,792
National Treasury bills (LTN) -			12,675	108,264	-	-	120,939
Treasury bills (LFT)	-	120,123 81,458		-	8,964	--	207,545
National Treasury notes (NTN)	-		-	82,073	58,235	-	140,308
Securities issued abroad	-		2,313	8,729	-	18,301	29,343
Securities of financial institutions							
Eurobonds and others	-		2,313	8,729	-	17,722	28,764
Countries' securities							
Brazil -			-	-	-	579	579
Private-sector securities	1.924		4,149	-	-	-	6,073
Bank certificates of deposit (CDB)	-		4,149	-	-	-	4,149
Shares of publicly-traded companies	1.924						1,924
Investment fund shares			-	-	-	53,017	275,727
Receivables fund	222.319	391	-	-	-	53,017	53,408
Multimarket funds	222.319	-	-	-	-	-	222,319
Total	224.243	120,514	100,595	199,066	64,199	71,318	779,935

	Consolidated						
	2010						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	-	4	15,057	187,786	4 52,556	99,069	754,472
National Treasury bills (LTN)	-	-	13,034	129,469	-	-	142,503
Treasury bills (LFT)	-	4	2,023	34,970	2 27,461	99,069	363,527
National Treasury notes (NTN)	-	-	-	23,347	2 25,095	-	248,442
Securities issued abroad	-	-	1,601	8,621	1 ,114	83,769	95,105
Securities of financial institutions							
Eurobonds and others	-	-	1,601	8,621	1 ,114	83,769	95,105
Private-sector securities	3,474	41,795	41,702	55,955	5 ,511	4,804	153,241
Bank Certificates of Deposit (CDBs)	-	41,329	40,406	53,723	-	-	135,458
Bank deposit receipts-(RDB)	-	466	1,159	1,823	5 68	-	4,016
Debentures	-	-	137	409	4 ,943	4,804	10,293
Shares of publicly-traded companies	3,474	-	-	-	-	-	3,474
Investment fund shares	100,048	-	-	-	-	-	100,048
Receivables fund	16,372	-	-	-	-	-	16,372
Real Estate Investment Fund	10,276	-	-	-	-	-	10,276
Multimarket funds	73,400	-	-	-	-	-	73,400
Total 10	3,522	41,799	58,360	252,362	459,181	187,642	1,102,866

	2009						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**120,677**	**102,788**	**204,126**	**85,137**	**-**	**512,728**
National Treasury bills (LTN)	-	-	12,681	117,520	-	-	130,201
Treasury bills (LFT)	-	120,677	90,107	4,533	26,902	-	242,219
National Treasury Notes (NTN)	-	-	-	82,073	58,235	-	140,308
Securities issued abroad	**2,321**		**4,093**	**9,623**	**2,278**	**24,747**	**43,062**
Shares	825		-	-	-	-	825
Investment funds	1,496		-	-	-	-	1,496
Securities of companies and financial institutions	-		-				
Eurobonds and others	-		4,093	9,623	2,278	24,168	**40, 162**
Countries' securities							
Brazil	-	-	-	-	-	579	579
Private-sector securities	**2,114**	**41,312**	**138,187**	**16,863**	**5,058**	**4,954**	**208,488**
Bank Certificates of Deposit (CDBs)	-	31,093	107,606	16,105	-	-	154,804
Debentures	-	10,219	30,581	758	5,058	4,954	51,570
Shares of publicly-traded companies	2,114	-	-	-	-	-	2,114
Investment fund shares	**10,879**	**391**	**-**	**-**	**-**	**-**	**11,270**
Receivables fund	-	391	-	-	-	-	391
Fixed income funds	10,879	-	-	-	-	-	10,879
Total	**15,314**	**162,380**	**245,068**	**230,612**	**92,473**	**29,701**	**775,548**

7. DERIVATIVES

I. Qualita tive information

The Bank conducts operations involving deri vatives recorded in balance sheet and memorandum accounts to meet its own and customers' needs.

Derivatives used are properl y approved under the product us e policy. Pursuant to this policy, prior to the im plementation of each product all aspects should be analyzed, such as: objectives, for ms of use, risks i nvolved and adequate operational support infrastructure.

The components of credit and m arket risks involved in derivatives are m onitored daily. Specific limits are s et for derivative transa ctions, customers and custodians. Such lim its are m anaged by a system that consolidates exposures by counterparty. Any deviations are promptly indicated and addressed for immediate solution.

The market risk of derivatives is m anaged by a prevailing risk policy, pursuant to which potential ris ks of pric e f luctuations in th e fin ancial m arkets are centralized in the Treasury department, which provides hedge for the other areas.

a) Derivatives

The m ain deriva tives used are swa ps, dollar f utures (DO L), fixed rate (DI) and exchange coupon (DDI), and non-delive rable forwards. BACEN Circular No. 3082/02 perm itted a specific accounting in the cases derivatives are used to hedge against changes in fair value or cash flow.

b) Risk management

Market risk

The Bank uses value at risk (V@R) to measure the market risk of all products and markets, providing a basis for risk comparison of various portfolios. The Bank uses the parametric V@R model for a ten-day time horizon at the 99% confidence level. At the close of the day, said method is applied to the outstanding operations base. The Risk Management department manager analyzes and approves daily the calculated figures.

The reports containing the results are made available on the Bank's intranet for authorized persons. The accuracy of the V@R model is determined through backtesting that consists of comparing the actual results to estimates generated from the V@R model.

To measure the possible effects of unexpected market changes, which are not predicted by V@R, the Bank uses scenario analysis techniques. The models include projected scenario analyses and stress testing, whose ultimate objective is to assure that the Bank and the companies included in the consolidated financial statements have capacity to respond to extreme market conditions.

Liquidity risk

Liquidity risk is related to the mismatching of assets and liabilities in relation to dates for inflows and outflows. The liquidity risk is controlled daily through an analysis of the Bank and its subsidiaries' mismatch, principally in the short term. In addition, simulations with estimates of portfolio index changes are performed. Concurrently, liquidity indicators from balance sheet accounts are analyzed on a monthly basis. Finally, liquidity stress testing is carried out.

Risk factors

The main risk factors of the individual and consolidated financial statements are: fixed interest rate, interest rate linked to exchange variation, interest rate linked to SELIC (Central Bank overnight rate), DI (interbank deposit rate), Libor and foreign currency exposure.

c) Sensitivity analyses

As risk management governance practice, the Bank and its subsidiaries have a continuous risk management process that involves controlling all their positions exposed to market risks.

Market risk limits are proposed by a specific Committee, within the limits established by the Board of Directors, based on the features of the transactions, which are segregated into the following portfolios:

c.1) Trading portfolio: refers to transactions with financial instruments and commodities, including derivatives, held for trading or intended to hedge other financial instruments included in the trading portfolio. Transactions held for trading are those intended for resale, obtainment of benefits from fluctuations in actual or expected prices, or used in arbitration.

c.2) Banking portfolio: refers to transactions that are not classified into the trading portfolio and that are not represented by transactions arising from the Bank's business lines.

The segregation described above relates to the way Management manages the Bank's business and the Bank's exposure to market risks, and are in conformity with the best market practices, the classification criteria set forth in BACEN Resolution 3464/07 and Circular 3354/07, and the New Capital Accord - Basel II. Thus, according to the nature of our business and in compliance with CVM Instruction 475/08, the sensitivity analysis was applied to transactions classified into the Trading portfolio as they represent exposures which would generate material impacts on the Bank's net income.

The Banking portfolio was not considered in the sensitivity analysis for the following reasons:

- The loan operations in this portfolio are in part financed by demand deposits and foreign fundraising transactions, which constitute a natural hedge for possible interest rate fluctuations.

- Interest rate fluctuations do not have a material impact on the Bank's income, as it is the Bank's intent to hold these transactions to maturity.

- The Banking portfolio does not include derivative transactions which are all related to the Trading portfolio.

The table below shows the sensitivity analysis of the Trading portfolio as of September 30, 2010 and 2009:

	2010		
Financial exposures	**Scenarios**		
Risk factors	**1**	**2**	**3**
Fixed rate	(19,265)	(43,320)	(64,815)
Foreign currency	(6,474)	(29,714)	(52,561)
Exchange coupon	(101)	(504)	(895)
Price indices	(684)	(848)	(1,014)
Variable income	(68)	(172)	(277)
Borrowings	(1,142)	(16,404)	(28,576)
Other	(55)	(130)	(202)
Total	**(27,789)**	**(91,092)**	**(148,340)**

Financial exposures	2009		
	Scenarios		
Risk factors	1	2	3
Fixed rate	(15,025)	(34,828)	(53,546)
Foreign currency	(1,921)	(21,772)	(41,655)
Exchange coupon	(13,205)	(17,603)	(21,864)
Price indices	(265)	(352)	(528)
Variable income	(47)	(265)	(483)
Borrowings	(762)	(23,155)	(43,715)
Other	(401)	(940)	(1,463)
Total	**(31,626)**	**(98,915)**	**(163,254)**

The sensitivity analysis was conducted considering the following scenarios:

- Scenario 1: refers to the probable scenario for risk factors, and available market information (BM&FBovespa, ANBIMA, etc.) was used as basis for the preparation of this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 1,82 (R$/US$1,84 in 2009); (ii) fixed interest rate - 13.80% p.a. (11,80% p.a. in 2009); (iii) Ibovespa - 59,709 points (58,400 points in 2009); and (iv) exchange coupon - 8.37% p.a. (7.90% p.a. in 2009).

- Scenario 2: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 25% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 2,28 (R$/US$2,30 in 2009); (ii) fixed interest rate -17.25% p.a. (14.75% p.a. in 2009); (iii) Ibovespa - 44,782 points (43,800 points in 2009); and (iv) exchange coupon - 10.47% p.a. (9.88% p.a. in 2009)

- Scenario 3: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 50% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 2,73 (R$/US$2,76 in 2009); (ii) fixed interest rate - 20.70% p.a. (17.70% p.a. in 2009); (iii) Ibovespa - 29,855 points (29,200 points in 2009); and (iv) exchange coupon - 12.56% p.a (11.85% p.a. in 2009).

It is important to mention that the results shown in the previous table reflect the impacts for each scenario projected on a static position of the portfolio as of September 30, 2010 and 2009. The market dynamics changes this position continually and does not necessary reflect the actual position on these financial statements' reporting date. Additionally, as mentioned above, there is a continuous management of the Trading portfolio positions to mitigate the risks associated to such portfolio, according to the strategy defined by Management and, when there are indications of deterioration of a certain position, proactive actions are taken to minimize possible adverse impacts and maximize the risk/return ratio for the Bank.

d) Hedging policy

The hedging policy is determined based on the Bank's operation risk exposure limits. Whenever its operations have risk exposures above the established limits, which might result in significant fluctuations in its income, the Bank uses derivatives, contracted in the organized or over-the-counter market to hedge against such risks, according to the hedging rules of the BACEN Circular No. 3082/02.

The hedge instruments are intended to mitigate market, exchange variation and interest risks. According to the market liquidity, the maturity dates of hedge instruments are the closest possible to the dates of the financial flows of the hedged operation, so as to assure an efficient hedge.

Monthly monitoring is performed to evaluate the effectiveness of derivatives to hedge against market price fluctuations. The effectiveness of each hedge is between 80% and 125%, which refers to the range established by BACEN Circular No. 3082/02.

As of September 30, 2010 and 2009, the Bank did not have derivatives for cash flow hedge.

e) Fair value

The estimated fair value of financial instruments is determined using available market information, principally prices and rates provided by the Commodities and Futures Exchange (BM&FBOVESPA S. A.). When applicable, mathematical models of rate interpolation for intermediate terms, and rate extrapolation for higher terms, are adopted.

The following pricing methodologies were adopted for calculating the fair value of derivatives:

- Futures transactions - quotations disclosed by the BM&FBOVESPA S.A.

- Swap and non-deliverable forwards agreements - consideration of the future cash flow, discounted to present value by future interest curves obtained from information disclosed by the BM&FBOVESPA S.A.

II. Quantitative information

Differentials receivable and payable and daily adjustments paid or received for derivatives are recorded in the respective balance sheet accounts “derivatives” and “trading account” against the corresponding statement of income accounts “derivatives” and, as of September 30, 2010 and 2009, are adjusted to fair value, and the nominal values of these transactions are recorded in memorandum accounts, as shown below:

a) Breakdown of balances reco rded in ba lance sheet accou nts under the caption s "derivatives" and "trading account".

Bank and Consolidated	2010 Current	2010 Long-term	2009 Current	2009 Long-term
Assets				
Derivatives	**18, 523**	**3,806**	**25, 373**	**2,768**
Swaps - differential receivable	18,121	3,806	25,371	2,768
Receivable from currency forward contract	402	-	2	-
Trading account	**30**	**-**	**2,031**	**-**
Futures transactions pending settlement	**15**	**-**	**915**	**-**
Exchange coupon (DDI)	12	-	20	-
Interest rate (DI)	3	-	71	-
Interest rate (DOL)			824	-
Other receivables				
Unsettled account	**15**	**-**	**1,116**	**-**
Bank				
Liabilities				
Derivatives	**14,306**	**34,445**	**345**	**18,334**
Swaps - differential payable	13,929	34,445	343	18,334
Payable for currency forward contract	377	-	2	-
Trading account	**847**	**-**	**3,867**	**-**
Futures transactions pending settlement	**847**	**-**	**3,867**	**-**
Dollar futures (DOL)	555	-	-	-
Interest rate (DI)	292	-	433	-
Exchange coupon (DDI)	-		3,434	
Consolidated				
Liabilities				
Derivatives	**14,306**	**34,445**	**404**	**18,334**
Swaps - differential payable	13,929	34,445	343	18,334
Payable for currency forward contract	377	-	61	-
Trading account	**847**	**-**	**3,867**	**-**
Futures transactions pending settlement	**847**	**-**	**3,867**	**-**
Dollar futures (DOL)	555	-	-	-
Interest rate (DI)	292	-	433	-
Exchange coupon (DDI)	-	-	3,434	-

b) Segregation by type of contract and counterparty:

Type of Contract	counterparty	Bank 2010 Amounts Receivable	Bank 2010 Amounts (Payable)	2009 Amounts Receivable	2009 Amounts (Payable)
Future	BM&FBOVESPA S.A.	15	(847)	915	(3,867)
Swap	Financial institutions	21,927	(48,374)	25,003	(18,677)
	Legal entities	-	-	3,136	
	Total swap operations	**21,927**	**(48,374)**	**28,139**	**(18,677)**
Forward	Financial institutions	139	(306)	-	(2)
	Legal entities	263	-	2	-
	Individuals	-	(71)	-	-
	Total forward operations	**402**	**(377)**	**2**	**(2)**

		Consolidated			
		2010		2009	
Type	of	Amounts		Amounts	
Contract	counterparty	Receivable	(Payable)	Receivable	(Payable)
Future	BM&FBOVESPA S.A.	15	(847)	915	(3,867)
Swap	Financial institutions	21,927	(48,374)	25,003	(18,677)
	Legal entities	-	-	3,136	
	Total swap operations	**21,927**	**(48,374)**	**28,139**	**(18,677)**
Forward	Financial institutions	139	(306)	-	(61)
	Legal entities	263	-	2	-
	Individuals	-	(71)	-	-
	Total forward operations	**402**	**(377)**	**2**	**(61)**

c) Swap contracts (Bank and Consolidated):

	2010					
		Cost Ma		rket value		Differential
	Notional					receivable
B	value	ank	Counterparty	Bank	Counterparty	(payable)
Asset operations						
Trading contracts						
Shares x CDI	87,692	107,059	(92,543)	87,692	(73,176)	14,516
CDI x Dollar	66,193	68,846	(64,417)	68,846	(64,495)	4,351
Euro x CDI	51,525	54,709	(53,015)	56,949	(54,175)	2,774
Dollar x CDI	10,957	11,234	(11,128)	11,379	(11,093)	286
Total asset operations	**216,367**	**241,848**	**(221,103)**	**224,866**	**(202,939)**	**21,927**
Liability operations						
Trading contracts						
Dollar x CDI	739,898	718,309	(774,600)	782,371	(810,974)	(28,603)
Libor x CDI	113,157	97,722	(116,310)	100,818	(117,088)	(16,270)
Libor x Dollar	10,956	11,181	(11,234)	11,354	(11,379)	(25)
Shares x CDI	1,142	1,142	(1,142)	1,142	(1,142)	-
Total 86	**5,153**	**828,354**	**(903,286)**	**895,685**	**(940,583)**	**(44,898)**
Market risk hedge						
Libor x CDI	74,834	72,340	(76,524)	73,104	(76,580)	(3,476)
Total 74,	**834**	**72,340**	**(76,524)**	**73,104**	**(76,580)**	**(3,476)**
Total liability operations	**939,987**	**900,694**	**(979,810)**	**968,789**	**(1,017,163)**	**(48,374)**

	2009					
						Differential
No	tional		Cost Ma		rket value	receivable
B	value	ank	Counterparty	Bank	Counterparty	(payable)
Asset operations						
Trading contracts						
Dollar x CDI	185,313	205.262	(190.626)	208.706	(191.772)	16.934
CDI x Dollar	65,902	68.008	(59.711)	68.233	(59.669)	8.564
Libor x Dollar	12,936	13.855	(13.906)	14.091	(13.942)	149
Total 26	**4,151**	**287.125**	**(264.243)**	**291.030**	**(265.383)**	**25.647**
Market risk hedge						
Libor x CDI	180,045	183,554	(182,943)	185,800	(183,308)	2,492
Total 1	**80,045**	**183,554**	**(182,943)**	**185,800**	**(183,308)**	**2,492**
Total asset operations	**444,196**	**470,679**	**(447,186)**	**476,830**	**(448,691)**	**28,139**
Liability operations						
Trading contracts						
Libor x CDI	59,564	45,668	(61,746)	47,431	(62,334)	(14,903)
Dollar x CDI	180,128	173,862	(182,433)	182,486	(185,878)	(3,392)
Libor x Dollar	8,977	9,624	(9,675)	9,658	(9,697)	(39)
CDI x Dollar	330	374	(394)	374	(389)	(15)
Total	**248,999**	**229,528**	**(254,248)**	**239,949**	**(258,298)**	**(18,349)**

	2009					
No	tional	Cost Ma		rket value		Differential receivable
B	value	ank	Counterparty	Bank	Counterparty	(payable)
Market risk hedge						
Libor x CDI	10,233	9,886	(10,272)	9,973	(10,301)	(328)
Total 10,	**233**	**9,886**	**(10,272)**	**9,973**	**(10,301)**	**(328)**
Total liability operations	**259,232**	**239,414**	**(264,520)**	**249,922**	**(268,599)**	**(18,677)**

d) Forward contracts:

	2010					
	Notional	Cost		Market value		Amounts Receivable
Bank and Consolidated	value	Bank	Counterparty	Bank	Counterparty	(payable)
Trading contracts						
Forward currency sale	5,229	5,386	(5,121)	5,381	(5,056)	325
Forward currency purchase	2,000	2,009	(1,928)	2,090	(2,013)	77
Total asset operations	**7,229**	**7,395**	**(7,049)**	**7,471**	**(7,069)**	**402**
Trading contracts						
Forward currency sale	2,000	2,010	(2,090)	2,019	(2,090)	(71)
Forward currency purchase	5,229	5,376	(5,631)	5,055	(5,361)	(306)
Total liability operations	**7,229**	**7,386**	**(7,721)**	**7,074**	**(7,451)**	**(377)**

	2009					
	Notional	Cost		Market value		Amounts Receivable
Bank	value	Bank	Counterparty	Bank	Counterparty	(payable)
Trading contracts						
Forward currency sale	70	184	(183)	185	(183)	2
Total asset operations	**70**	**184**	**(183)**	**185**	**(183)**	**2**
Trading contracts						
Forward currency purchase	70	184	(183)	183	(185)	(2)
Total liability operations	**70**	**184**	**(183)**	**183**	**(185)**	**(2)**

	Notional	Cost		Market value		Amounts Receivable
Consolidated	value	Bank	Counterparty	Bank	Counterparty	(payable)
Trading contracts						
Forward currency sale	70	184	(183)	185	(183)	2
Total asset operations	**70**	**184**	**(183)**	**185**	**(183)**	**2**
Trading contracts						
Forward currency purchase	70	184	(183)	183	(185)	(2)
Forward currency sale	1,040	1,849	(19,08)	1,849	(19,08)	(59)
Total liability operations	**1,110**	**2,033**	**(2,091)**	**2,033**	**(2,091)**	**(61)**

e) Future contracts (Bank and Consolidated):

	2010				
	Notional value				
	Long Short		Total	Daily adjustments	
Contracts	position	Position	exposure	Receivable	(Payable)
Exchange coupon (DDI)	-	1,670	**1,670**	12	-
Interest rate (DI)	590,272	3,928	**594,200**	3	(292)
Dollar futures (DOL)	74,041	-	**74,041**	-	(555)
Total 664,	**313**	**5,598**	**669,911**	**15**	**(847)**

Contracts	2009 Notional value Long position	Short position	Total exposure	Daily adjustments Receivable	Payable
Dollar futures (DOL)	-	68,094	**68,094**	824	-
Interest rate (DI)	-883,270	54,727	**937,997**	71	(433)
Exchange coupon (DDI)	267,733	1,653	**269,386**	20	(3,434)
Total	**1,151,003**	**124,474**	**1,275,477**	**915**	**(3,867)**

f) By maturity (notional amount):

Operations	2010 Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Total
Future 139,	155	212,810	112,179	205,767	**669,911**
"Swap" 110,	522	248,179	371,105	424,548	**1,154,354**
Forward 12,	499	1,959	-	-	**14,458**
Total 262,	**176**	**462,948**	**483,284**	**630,315**	**1,838,723**

Operations	2009 Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Future 133,	087	294,101	819,147	20,243	8,899	**1,275,477**
"Swap" 36,	877	232,431	434,120	-	-	**703,428**
Forward -		368	-	-	-	**368**
Total 169,	**964**	**526,900**	**1,253,267**	**20,243**	**8,899**	**1,979,273**

Operations	Consolidated Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Future	133,087	294,101	819,147	20,243	8,899	**1,275,477**
"Swap"	36,877	232,431	434,120	-	-	**703,428**
Forward	-	2,218	-	-	-	**2,218**
Total	**169,964**	**528,750**	**1,253,267**	**20,243**	**8,899**	**1,981,123**

g) Trading location (Bank and Consolidated):

	Bank Notional amount 2010	2009
Futures		
BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros	669,911	1,275,477
"Swap" -		
CETIP S.A. - Balcão Organizado de Ativos e Derivativos	1,154,354	703,428
Forward		
CETIP S.A. - Balcão Organizado de Ativos e Derivativos	14,458	368

	Consolidated Notional amount 2010	2009
Futures		
BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros	669,911	1,275,477
"Swap" -		
CETIP S.A. - Balcão Organizado de Ativos e Derivativos	1,154,354	703,428
Forward		
CETIP S.A. - Balcão Organizado de Ativos e Derivativos	14,458	368
Foreign	-	1,850

h) Guarantee margins (Bank and Consolidated):

Federal government securities	2010 Value Adjusted Cost	2010 Value Fair value	2009 Value Adjusted cost	2009 Value Fair value
LTN (National Treasury bills)	1, 579	1,579	1,640	1,665
LTF (Treasury bills)	32, 715	32,715	53,140	53,139
Total	**34,294**	**34,294**	**54,780**	**54,804**

i) Gains and losses on derivatives:

For the none-m onth period ended S eptember 30, 2010 and 2009, gains and losses on derivatives were recorded directly under the caption "derivatives", as shown below:

	Bank					
	Nine-month periods ended					
	September 30, 2010			September 30, 2009		
Derivatives	Gain	Loss	Net	Gain	Lo ss	Net
Swap	182,059	(201,142)	(19,083)	41,581	(210,307)	(168,726)
Currency forward contract	968	(924)	44	2,375	(3,859)	(1,484)
Futures market	73,165	(71.597)	1,568	171,780	(252,747)	(80,967)
Total	**256,192**	**(273,663)**	**(17,471)**	**215,736**	**(466,913)**	**(251,177)**

	Consolidated					
	Nine-month periods ended					
	September 30, 2010			September 30, 2009		
Derivatives	Gain	Loss	Net	Gain	Lo ss	Net
Swap	182,059	(201,142)	(19,083)	41,581	(210,307)	(168,726)
Currency forward contract	968	(1,176)	62	2,395	(3,937)	(1,542)
Futures market	73,165	(71.598)	1,567	171,780	(252,747)	(80,967)
Total	**256,192**	**(273,663)**	**(17,454)**	**215,756**	**(466,991)**	**(251,235)**

8. LENDING OPERATIONS

a) Breakdown of loan portfolio by type of operation:

	2010			
	Bank		Consolidated	
	Current	Long-term	Current	Long-term
Loans	2,578,218	1,308,349	2, 578,218	1, 308,349
Discounted trade notes	188,357	86	188,357	86
Financing	392,621	320,426	515, 146	371, 005
Rural and agroindustrial financing	17,716	513	17,716	513
Total lending operations	**3,176,912**	**1,629,374**	**3,299,437**	**1,679,953**
Other credit notes receivable (note 10.b))	5,504	10,696	5,504	10,696
Advances on foreign exchange contracts (ACC/ACE)/ Imports backed by credit letters (nota 10.a) and 19.a))	189,984	-	189,984	-
Notes and credits receivable - with credit extension characteristics (note 10.b)	429	-	429	-
Total other operations	**195,917**	**10,696**	**195,917**	**10,696**
Total	**3,372,829**	**1,640,070**	**3, 495,354**	**1, 690,649**

	2009			
	Bank		Consolidated	
	Current	Long-term	Current	Long-term
Loans 1,	701,487	730,859	1,701,487	730,859
Discounted trade notes	155,042	345	155,042	345
Financing	392,651	236,501	488, 519	315, 128
Rural and agroindustrial financing	1,787	-	1,787	-
Total lending operations	2,250,967	967,705	2,346,835	1,046,332
Other credit notes receivable (note 10.b)) 8,757		10,450	8,757	10,450
Advances on foreign exchange contracts (ACC/ACE)/ Imports backed by credit letters (nota 10.a) and 19.a))	80,578	-	80,578	-
Total other operations	**89,335**	**10,450**	**89,335**	**10,450**
Total	**2,340,302**	**978,155**	**2, 436,170**	**1, 056,782**

b) Breakdown of loan portfolio by risk level:

	2010				2009			
Risk	Total Portfolio		Allowance Total		portfolio		Allowance	
level	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
AA	55,834	172,446	-	-	116,964	235,193	-	-
A	2,472,168	2,492,973	12,361	12,465	1,387,273	1,408,376	6,936	7,042
B	2,109,217	2,119,326	21,092	21,193	1,310,355	1,320,689	13,104	13,207
C	153,385	163,090	4,602	4,892	137,223	145,897	4,117	4,377
D	71,788	75,416	7,179	7,542	66,314	69,900	6,631	6,990
E	23,422	25,628	7,026	7,688	50,815	52,939	15,244	15,882
F 16,	254	17,912	8,127	8,957	52,206	54,031	26,103	27,015
G	37,713	39,342	26,399	27,539	38,088	39,543	26,661	27,680
H	73,118	79,870	73,118	79,870	159,219	166,384	159,219	166,383
Total	**5,012,899**	**5,186,003**	**159,904**	**170,146**	**3,318,457**	**3,492,952**	**258,015**	**268,576**

c) Breakdown by business sector:

	2010 2009			
	Bank Consolidated		Bank	Consolidated
Private sector:				
Industrial 1,	723,469	1,723,469	723,092	723,092
Commercial 581,	903	581,903	368,670	368,670
Financial	21,992	21,992	-	-
Rural 18,	229	18,229	1,787	1,787
Other services	881,900	883,985	853,403	854,914
Individuals	1,770,899	1,941,918	1,364,369	1,537,353
Public sector	14,507	14,507	7,136	7,136
Total 5,	**012,899**	**5,186,003**	**3,318,457**	**3,492,952**

d) Breakdown by maturity:

	2010		2009	
	Bank Consolidated		Bank	Consolidated
Current:				
Up to 3 months	1,768,262	1,802,620	1,123,244	1,148,167
3 to 12 months	1,517,583	1,597,405	1,020,934	1,085,855
1 to 3 years	1,232,955	1,283,534	765,670	841,136
3 to 5 years	365,705	365,705	188,786	191,947
Over 5 years	41,410	41,410	23,699	23,699
Total 4,	**925,915**	**5,090,674**	**3,122,333**	**3,290,804**
Past-due:				
Up to 60 days	35,361	40,388	40,913	44,595
61 to 180 days	33,586	35,869	87,402	89,054
181 to 360 days	17,612	18,644	65,365	66,055
Over 360 days	425	428	2,444	2,444
Total 86,	**984**	**95,329**	**196,124**	**202,148**
Total 5,	**012,899**	**5,186,003**	**3,318,457**	**3,492,952**

e) Concentration of credit risk:

	2010			
	Bank		Consolidated	
Largest debtors	**Amount**	**% of Portfolio**	**Amount**	**% of portfolio**
10 largest debtors	674,307	13.45%	674,307	13.01%
50 largest debtors	694,305	13.85%	694,305	13.39%
100 largest debtors	630,091	12.57%	630,091	12.15%
Other debtors	3,014,196	60.13%	3,187,300	61.45%
Total	**5,012,899**	**100.00%**	**5,186,003**	**100.00%**

	2009			
Bank			Consolidated	
Largest debtors	**Amount**	**% of portfolio**	**Amount**	**% of portfolio**
10 largest debtors	302,090	9.10%	302,090	8.65%
50 largest debtors	479,747	14.46%	479,747	13.73%
100 largest debtors	455,349	13.72%	455,349	13.04%
Other debtors	2,081,271	62.72%	2,255,766	64.58%
Total	**3,318,457**	**100.00%**	**3,492,952**	**100.00%**

f) Renegotiated loans:

During the nine-month period ended September 30, 2010, loan contracts were renegotiated in the amount of R$114,553.

g) Recovery of receivables written off as loss:

During the nine-month period ended September 30, 2010 and 2009, the Bank recovered receivables that had been written off as loss in the amount of R$25,998 and R$21,160, respectively, recognized in income under “Lending operations”.

9. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses for operations recorded in the individual financial statements was recognized under the criteria described in note 3.f) and is considered sufficient to cover potential losses on lending operations.

The changes in the allowance as of the nine-month period ended September 30, 2010 and 2010are as follows:

	2010	**2009**
Opening balance	**202,947**	**183.277**
Allowance recognized	119,414	222.572
Write-off as loss	(162,457)	(147.834)
Closing balance	**159,904**	**258.015**
Total classified in current assets - lending operations	**111,981**	**211,224**
Total classified in current assets - other receivables (Note 10.b))	**429**	**2,394**
Total classified in long-term assets - lending operations	**47,494**	**44,397**

10. OTHER RECEIVABLES

Other receivables are composed of the following:

a) Foreign exchange portfolio:

	Bank and Consolidated	
	2010	2009
Exchange purchased pending settlement	177,476	75,338
Rights to foreign exchange sold	5,257	3,851
(-) Advances received in local currency	(1,352)	(1,453)
Income receivable from advances (Note 8.a))	5,931	3,667
Total	**187,312**	**81,403**

b) Other:

	Bank			
	2010		2009	
	Current	Long-term	Current	Lon g-term
Salary advances	1,315	-	1,132	-
Prepaid expenses	8,348	-	8,202	-
Tax credits (note 20.c))	53,153	118,607	97,066	85,159
Debtors for purchase of assets (note 8.a))	5,504	10,696	6,284	10,450
Escrow deposits ([1])	-	150,831	-	108,915
Taxes and contributions to offset	30,216	-	92	-
Refundable payments	743	-	682	-
Credit notes receivable - with credit extension characteristics (note 8.a))	429	-	2,473	-
Credit notes receivable - without credit extension characteristics	129,225	-	6,220	-
Sundry debtors	25,734	-	28,822	-
Total	**254,667**	**280,134**	**150,973**	**204,524**
(-) Allowance for loan losses (Note 9)	(429)	-	(2,394)	-

	Consolidated			
	2010		2009	
	Current	Long-term	Current	Lon g-term
Salary advances	1,334	-	1,145	-
Prepaid expenses	8,348	-	8,202	-
Tax credits (note 20.c))	53,153	118,614	97,066	85,168
Debtors for purchase of assets (note 8.a))	5,504	10,696	6,284	10,450
Escrow deposits ([1])	-	150,831	-	108,915
Taxes and contributions to offset	32,290	-	1,020	-
Refundable payments	743	-	681	-
Credit notes receivable - with credit extension characteristics (note 8.a))	429	-	2,473	-
Credit notes receivable - without credit extension characteristics	129,225	-	6,220	-
Sundry debtors	25,734	-	28,822	-
Total	**256,760**	**280,141**	**151,913**	**204,533**
(-) Allowance for loan losses (Note 9)	(429)	-	(2,394)	-

([1]) Relates substantially to the record of deposits due to legal requirements, made for appeals relative to taxes and contributions (Note 21.b)

11. OTHER ASSETS

	Bank and Consolidated (3)			
	2010		2009	
	Current	Long-term	Current	Long-term
Repossessed assets [(1)]	28,805	-	26,259	-
(-) Allowance for repossessed assets losses	(4,045)	-	(4,769)	-
Total repossessed assets	**24,760**	**-**	**21,490**	**-**
Prepaid expenses [(2)]	36,947	32,748	35,413	30,592
Total	**61,707**	**32,748**	**56,903**	**30,592**

(1) Refer to assets received as payment for loans,

(2) Refer mainly to commissions paid in advance to correspondents (Note 3.i).

(3) Prepaid expenses in Consolidated amount to, as of September 30, 2010, R$69,696, of which R$36,948 is recorded in current assets and R$32,748 is recorded in long-term assets.

12. INVESTMENTS

Represented substantially by investments in subsidiaries. The principal information on these investments is as follows:

b.1.) Direct subsidiaries:

	ACS Participações (1)		Daycoval Asset Management		Dayprev	
	Nine-month period Ended September 30,		Nine-month period Ended September 30,		Nine-month period Ended September 30,	
	2010	2009	2010	2009	2010	2009
Capital	123,448	23,448	1,554	1,554	15,000	15,000
Number of shares held	536,730,077	101,947,448	14,253	14,253	14,550,000	14,550,000
Net assets	142,662	38,465	3,369	2,061	19,231	18,031
Net income for the period	4,243	(3,162)	1,092	289	920	1,111
Ownership interest %	99,99	99,99	99,99	99,99	97,00	97,00
Adjusted investment	142,657	16,296	3,369	2,060	18,654	17,489
Equity in subsidiaries	4,242	(3,162)	1,092	289	891	1,078

i. The shareholders' meeting held on July 1, 2010 approved a capital increase of R$23,448, represented by 101,947,468 shares, to R$123,448, represented by 536,730,077 shares.

b.2.) Indirect subsidiaries (through ACS Participações)

	Treetop Investments		IFP Planejamento (1)		SCC Assessoria	
	Nine-month period Ended September 30,		Nine-month period Ended September 30,		Nine-month period Ended September 30,	
	2010	2009	2010	2009	2010	2009
Capital	4,521	4,745	10,020	20	20	20
Number of shares held	2,668,585	2,668,585	10,020,000	20,000	20,000	20,000
Net assets	16,982	16,296	10,205	113	109	109
Net income (loss) for the period	1,780	646	92	-	-	-
Ownership interest - %	100,00	100,00	99,99	99,99	99,99	99,99
Adjusted investment	16,982	16,296	10,205	113	109	109
Equity in subsidiaries	1,780	646	92	-	-	-

1. The shareholders' meeting held on July 1, 2010 approved a capital increase of R$20, represented by 20,000 shares, to R$10,020, represented by 10,020,000 shares.

13. FOREIGN BRANCH

The balances of the transactions of Banco Daycoval S,A, - Cayman Branch (foreign branch) with third parties and included in the Bank's financial statements as of September 30, 2010 and 2009, are as follows:

	2010 2009			
	US$ thousand	R$ thousand (1)	US$ thousand	R$ thousand (1)
Assets				
Cash 1,	352	2,291	260	461
Securities 44,966		76,181 16,502		29,343
Lending operations	704	1,193	628	1,117
Other assets	7,244	12,273	4,728	8,407
Total assets	**54,266 91,**	**938**	**22,118**	**39,328**
Liabilities				
Demand deposits	296	501	32	57
Securities 388,71	4	658,559 215,91	3	383,915
Borrowings and onlendings	108,289	183,463	117,314	208,596
Other liabilities	-	-	1	2
Total liabilities	**497,299 842,52**	**3**	**333,260**	**592,570**

(1) The amounts in U.S. dollars were translated into Brazilian reais - R$, based on the R$/US$1.6942 and R$/US$1.7781 exchange rates published by BACEN on September 30, 2010 and 2009, respectively.

14. PROPERTY AND EQUIPMENT

	Bank				
	2010				2009
Description	**Annual depreciation %**	**Cost**	**Accumulated depreciation**	**Net book value**	**Net book value**
Facilities	10	931	(393)	538	640
Furniture and equipment	10	3,399	(1,247)	2,152	2,290
Communication equipment	10	142	(46)	96	77
Computers and peripherals	20	4,133	(2,202)	1,931	1,864
Security equipment	10	303	(145)	158	186
Vehicles	20	959	(642)	317	377
Total		**9,867**	**(4,675)**	**5,192**	**5,434**

	Consolidated				
	2010				2009
Description	**Annual depreciation %**	**Cost**	**Accumulated depreciation**	**Net book value**	**Net book value**
Buildings [(1)]	4	10,469	(5,863)	4,606	4,988
Facilities	10	949	(393)	556	657
Furniture and equipment	10	3,407	(1,247)	2,160	2,295
Communication equipment	10	142	(46)	96	77
Computers and peripherals	20	4,156	(2,202)	1,954	1,886
Security equipment	10	303	(145)	158	186
Vehicles	20	1,650	(1,191)	459	657
Total		**21,076**	**(11,087)**	**9,989**	**10,746**

[(1)] Buildings held by the direct subsidiary are stated at cost plus revaluation at market value, which will be realized over the remaining useful life of the asset, as established by BACEN Resolution 3565/08.

15. DEPOSITS AND MONEY MARKET FUNDING

Interbank deposits, time deposits and money market funding are traded at market rates. Their maturities are as follows:

	Bank						
	2010						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	332,905	-	-	-	-	-	332,905
Interbank deposits	-	22,002	6,316	-	-	-	28,318
Time deposits	-	498,637	897,042	925,300	592,224	41,693	2,954,896
Foreign currency deposits	1,645	-	-	-	-	-	1,645
Total	**334,550**	**520,639**	**903,358**	**925,300**	**592,224**	**41,693**	**3,317,764**
Money market funding	-	1,755,936	-	-	-	-	1,755,936
Total money market funding	**-**	**1,755,936**	**-**	**-**	**-**	**-**	**1,755,936**
Total deposits and money market funding	**334,550**	**2,276,575**	**903,358**	**925,300**	**592,224**	**41,693**	**5,073,700**

	2009						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	89,750	-	-	-	-	-	**89,750**
Interbank deposits	-	101,274	44,841	4,621			**150.736**
Time deposits	-	366,284	675,836	549,676	500,563	3,116	**2,095,475**
Foreign currency deposits	862	-	-	-	-	-	**862**
Others deposits	1,593	-	-	-	-	-	**1,593**
Total	**92,205**	**467,558**	**720,677**	**554,297**	**500,563**	**3,116**	**2,338,416**
Money market funding	-	320,890					**320,890**
Total money market funding	**-**	**320,890**					**320,890**
Total deposits and money market funding	**92,205**	**788,448**	**720,677**	**554,297**	**500,563**	**3,116**	**2,659,306**

	Consolidated						
	2010						
	Without maturity	Up to 3 months	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years
Demand deposits	332,374	-	-	-	-	-	332,374
Interbank deposits	-	22,002	6,316	-	-	-	28,318
Time deposits	-	498,637	897,042	921,165	526,979	41,693	2,885,516
Foreign currency deposits	1,645	-	-	-	-	-	1,645
Total	**334,019**	**520,639**	**903,358**	**921,165**	**526,979**	**41,693**	**3,247,853**
Money market funding	-	1,724,217	-	-	-	-	1,724,217
Total money market funding	**-**	**1,724,217**	**-**	**-**	**-**	**-**	**1,724,217**
Total deposits and money market funding	**334,019**	**2,244,856**	**903,359**	**921,164**	**526,979**	**41,693**	**4,972,070**

	2009						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	89,556	-	-	-	-	-	**89,556**
Interbank deposits	-	101,274	44,841	4,621			**150.736**
Time deposits	-	362,382	674,141	549,234	499,833	3,116	**2,088,706**
Foreign currency deposits	862	-	-	-	-	-	**862**
Others deposits	1,593	-	-	-	-	-	**1,593**
Total	**92,011**	**463,656**	**718,982**	**553,855**	**499,833**	**3,116**	**2,331,453**
Money market funding	-	320,858					**320,858**
Total money market funding	**-**	**320,858**					**320,858**
Total deposits and money market funding	**92,011**	**784,514**	**718,982**	**553,855**	**499,833**	**3,116**	**2,652,311**

16. FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

16.1.) Securities issued abroad

The Bank has a global Euro Medium Term Notes (EMTN) program that was implemented on December 14, 2005, and was increased from US$300 million to US$1 billion on June 16, 2008 and renewed on March 16, 2010, with total funding amounting to US$400 million and US$345 million, as of September 30, 2010 and 2009, respectively.

The table below shows the characteristics of these operations and respective balances in local currency:

Issue in US$	Interest rate	Issue date	Maturity date	2010 Bank	Consolidated
(US$ thousand)				(R$ thousand)	
100,000	7,250%	07/21/2008	07/21/2011	168,406	168,406
300,000	6,500%	03/16/2010	03/15/2015	490,153	487,594
400,000				**658,559**	**656,000**
			Total current	169,783	169,777
			Total long-term	488,776	486,223

Issue in US$	Interest rate	Issue date	Maturity date	2009 Bank	Consolidated
(US$ thousand)				(R$ thousand)	
100,000	7.250%	07/21/2008	07/21/2011	172,438	172,438
125,000	6.875%	06/09/2008	06/09/2010	211,477	208,753
120,000	7.750	10/30/2006	10/30/2009	209,600	208,325
345,000				**593,515**	**589,516**
			Total current	421,077	417,078
			Total long-term	172,438	172,438

16.2.) Financial Letters:

The Bank began issuing Financial Letters , as established by BACEN Resolution 3836/10. The Financial Letters issued through September 30, 2010 mature as follows:

2010	**From 1 to 3 years**	**Total**
1,007		1,007

17. BORROWINGS AND ONLENDINGS

	Bank					
2010	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Borrowings and onlendings						
Foreign currency payables [1]	181,688	258,334	64,196	-	-	504,218
Foreign borrowings	76,429	18,867	275,888	44,565	-	415,749
Domestic onlendings						
BNDES	16,084	43,249	57,885	151	-	117,369
FINAME	5,580	21,843	58,659	35,638	10,635	132,355
Total	**279,781**	**342,293**	**456,628**	**80,354**	**10,635**	**1,169,691**

2009	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Borrowings and onlendings						
Foreign currency payables (1)	106,713	119,034	133,346	-	-	**359, 093**
Foreign borrowings	2,477	84,912	112,767	17,616	-	**217, 772**
Domestic onlendings						
BNDES	2,320	5,381	16,718	-	-	**24,419**
FINAME	1,003	2,643	6,157	1,982	1,080	**12, 865**
Foreign onlendings	7,926	23,708	282	-	-	**31,916**
Total	**120,439**	**235,678**	**269,270**	**19,598**	**1,080**	**646,065**

	Consolidated					
2010	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Borrowings and onlendings						
Domestic borrowings [2]			98,883	-	-	98,883
Foreign currency payables [1]	182,944	258,334	64,196	-	-	505,474
Foreign borrowings	76,429	18,867	275,888	44,565	-	415,749
Domestic onlendings						
BNDES	16,084	43,249	57,885	151	-	117,369
FINAME	5,580	21,843	58,659	35,638	10,635	132,355
Total	**281,037**	**342,293**	**555,511**	**80,354**	**10,635**	**1,269,830**

2009	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Borrowings and onlendings						
Domestic borrowings [2]	-	-	-	-	110,917-	**110, 917**
Foreign currency payables [1]	106,713	119,034	133,346	-	-	**359, 093**
Foreign borrowings	2,477	84,912	112,767	17,616	-	**217, 772**
Domestic onlendings						
BNDES	2,320	5,381	16,718	-	-	**24, 419**
FINAME	1,003	2,643	6,157	1,982	1,080	**12, 865**
Foreign onlendings	7, 926	23,708	282	-	-	**31, 916**
TOTAL	**120,439**	**235,678**	**269,270**	**-19,598**	**-1,080**	**756, 982**

(1) The balance of Foreign currency payables refers to funding for foreign exchange operations related to export and import financing.

(2) The balance of domestic borrowings, included in the consolidated financial statements, refers to the amount of senior units, less the amount maintained by the Bank, represented by subordinated units in Daycoval Veículos FIDC as of September 30, 2010 and 2009.

The Bank has certain financial covenants related to the maintenance of certain performance, liquidity and indebtedness levels , linked to loan agreements with the International Finance Corporation - IFC and the Inter-American Investment Corporation - IIC, which, if not fulfilled, may cause the accelerated clause of the agreements between the Bank and these institutions to be invoked.

18. INSURANCE OPERATIONS (CONSOLIDATED)

a) Receivables from insurance operations:

Represented by receivables as of September 30, 2010 and 2009, in the amount of R$450 and R$463, respectively, relating to DPVAT (mandatory insurance against personal injury caused by automotive land vehicles) recorded under the caption "Other receivables - insurance premiums".

b) Technical reserves:

	2010	2009
Unsettled claims	20,547	6,195
Pension plan	1	12
Other reserves	-	345
Total	**20,548**	**6,552**

c) Assets guaranteeing technical reserves:

	2010	2009
LFT (Treasury bills)	20,715	6,668
Assets guaranteeing technical reserves	**20,715**	**6,668**

d) Results of insurance operations:

	Nine-month period ended September 30,	
	2010	2009
Revenue from premiums and contributions 23,	157	17,848
Claims expenses	(20,315	(15,338)
Other operating income (expenses)	(580)	(166)
Total (1)	**2,262**	**2,344**

(1) Amounts recorded in "Other operating income" in the statements of income.

19. OTHER PAYABLES

a) Foreign exchange portfolio:

	Bank and Consolidated	
	2010	2009
Exchange sold pending settlement	5,117	3,830
(-) Import financing - contracted exchange rate (Note 8.a))	(223)	-
Foreign exchange purchased	185,478	84,614
(-) Advances on foreign exchange contracts (Note 8.a))	(183,948)	(77,283)
Unearned income on advances granted (Note 8.a))	118	371
Total	**6,542**	**11,532**

b) Social and statutory:

Bank 2010		2009	Consolidated 2010	2009
Dividends and bonuses payable (Note 22.e))	20,594	21,780	20,594	21,780
Profit sharing program	17,299	7,850	17,465	8,001
Total 37,	**893**	**29,630**	**38,059**	**29,781**

c) Tax and social securities:

	Bank 2010 Current	Bank 2010 Long-term	Bank 2009 Current	Bank 2009 Long-term
Provision for income tax	44,533	-	57,504	-
Provision for social contribution	27,027	-	18,699	-
(-) Prepaid income tax and social contribution	-	-	(25,726)	-
Taxes and contributions payable	8,052	-	6,088	-
Provision for deferred income tax and social contribution (Note 20.c))	1,904	29,358	5,726	22,307
Legal obligations (Note 21.b))	-	385,888	-	309,985
Total	**81,516**	**415,246**	**62,291**	**332,292**

	Consolidated 2010 Current	Consolidated 2010 Long-term	Consolidated 2009 Current	Consolidated 2009 Long-term
Provision for income tax	46,668	-	58,810	-
Provision for social contribution	27,909	-	19,297	-
(-) Prepaid income tax and social contribution	-	-	(26,776)	
Provision for income tax and social contribution on revaluation of assets	728	-	794	-
Taxes and contributions payable (Note 20.c))	8,240	-	6,203	-
Provision for deferred income tax and social contribution	1,904	29,377	5,726	22,311
Legal obligations - (Note 21.b))	-	385,888	-	309,985
Total	**85,449**	**415,265**	**64,054**	**332,296**

d) Other:

	Bank Consolidated 2010 2009 Current	Long-term	2010 Curto prazo	Long-term	Curren t	Long-term	2009 Current	Long-term
Cashier's checks	2	-	42	-	2	-	43	-
Accrued liabilities	13,093	-	9,424	-	16,319	-	9,647	-
Reserve for contingencies (Note 21.b))	-	8,927	-	5,068	-	8,927	-	5,068
Sundry creditors([1])	30,504	-	36,393	-	30,506	-	36,396	-
Total 43,	**599**	**8,927**	**45,859**	**5,068**	**46,827**	**8,927**	**46,086**	**5,068**

([1]) *The sundry creditors caption (Bank and Consolidated) mainly comprise the following items: collections to be released in the amount of R$4,859 (R$4,119 as of September 30, 2009); (ii) amounts received from assigned trans actions totaling R$15,933 (R$13,515 as of September 30, 2009); and (iii) amounts payable related to commissions on payroll-deductible transactions in the amount of R$4,574 (R$6,557 as of September 30, 2009).*

20. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution were calculated as follows:

	Bank		Consolidated	
	Nine-month period ended September 30,			
	2010	2009	2010	2009
Income before income tax and social contribution less interest on capital and profit sharing	**203,678**	**75,614**	**206,724 77,**	**551**
Income tax and social contribution at the rates of 25% and 15%, respectively	**(81,471)**	**(30,245)**	**(82,678) (**	**31,020)**
Additions:				
Equity in subsidiaries	(380)	(1,108)	-	(2,795)
Adjustments of derivatives	(23,342)	(26,978)	(23,342)	(26,978)
Allowance for loan losses	(47,765)	(89,142)	(47,765)	(89,142)
Nondeductible expenses	(9,893)	(6,962)	(9,982)	(7,367)
Other (	10,500)	(5,563)	(11,478)	(5,563)
Deductions:				
Equity subsidiaries	3,958	718	-	938
Adjustments of derivatives	32,190	30,535	32,200	30,535
Losses on lending operations	61,796	36,452	61,796	36,453
Nontaxable income	2,717	3,624	2,717	3,624
Other 1,	130	-	3,967	742
Tax credits on temporary differences 191		**68,106**	**191**	**68,106**
Current and deferred income tax and social contribution	**(71,369)**	**(20,563)**	**(74,386)**	**(22,467)**

(1) In the Co nsolidated, incom e bef ore inco me tax and social contribution less interest on capital and profit sha ring, does not consider interco mpany deductions; incom e tax an d social contri bution ra tes on incom e vary based on the operating segment of each company included in the consolidated financial statements.

b) Deferred income tax and social contribution on temporary additions and deductions (assets and liabilities):

As established by Re solution 3059/02, am ended by Resolution 3355/06, both of BACEN, and CVM Instruction 371/02, deferred ta x assets and liabiliti es ("tax credits" and "deferred taxes") arising from tem porary differences must cum ulatively m eet the following conditions: (i) history of taxable inco me or profits for income tax and social contribution purposes, for at least three of the la st five fiscal years, including the year at issue; and (ii) expected futu re taxable incom e or profits for incom e tax and so cial contribution purposes, for subsequent periods , based on an intern al technical study showing the probability of occu rrence of future tax obligations to be offset against the tax credit within a period of 10 years.

c) Deferred tax credits and deferred taxes consist of the following:

	Bank			
	Nine-month period ended September 30,			
Tax credits:	2009	Recognition	Write-off	2010
Deferred income tax and social contribution on:				
Reserve for tax contingencies	57,875	16,268	-	74,143
Allowance for loan losses	66,164	48,317	(61,797)	52,684
Adjustment to fair value of securities and derivatives	3,955	6,842	(8,487)	2,310
Other temporary additions	33,656	8,974	(7)	42,623
Total tax credits on temporary differences 161,65	**0**	**80,401**	**(70,291)**	**171,760**
Deferred taxes:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	5,298	23,753	(15,429)	13,622
Unrealized profits on derivatives	2,028	2,599	(2,761)	1,866
Other 13,	059	2,717	(2)	15,774
Total deferred taxes on temporary differences 20,385		**29,069**	**(18,192)**	**31,262**

	Nine-month period ended September 30,			
Tax credits:	**2008**	**Recognition**	**Write -off**	**2009**
Deferred income tax and social contribution on:				
Reserve for tax contingencies	59,246	21,358	(189)	80,415
Allowance for loan losses	41,821	89,277	(36,452)	94,646
Adjustment to fair value of securities and derivatives	33,129	17,095	(43,060)	7,164
Total tax credits on temporary differences 134,19	**6**	**127,730**	**(79,701)**	**182,225**
Deferred taxes:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	26,409	23,830	(45,377)	4,862
Unrealized profits on derivatives	11,340	6,289	(4,568)	13,061
Other 7,	779	2,331	-	10,110
Total deferred taxes on temporary differences 45,528		**32,450**	**(49,945)**	**28,033**

As of September 30, 2010 and 2009, deferred tax a ssets, on a consolidated basis, total R$171,767 and R$182,234, respectively, while de ferred tax liabili ties total R$31,281 and R$28,037, respectively.

d) Estimated realization of tax credits:

	2010		
Temp	**orary differences**		**Total**
Realization	**Income tax**	**Social contribution**	**deferred taxes**
Up to 1 year	33,221	19,932	53,153
Up to 2 years	268	161	429
Up to 3 years	-	-	-
Up to 4 years	462	278	740
Up to 5 years	91,107	26,330	117,437
Total 125,058		**46,702**	**171,760**

	2009		
Temp	**orary differences**		**Total**
Realization	**Income tax**	**Social contribution**	**deferred taxes**
Up to 1 year	60666	36,400	97,066
Up to 2 years	2,583	1,550	4,133
Up to 3 years	205	123	328
Up to 4 years	85	51	136
Up to 5 years	65,512	15,050	80,562
Total 129,051		**53.174**	**182.225**

The present value of tax credits as of Septem ber 30, 2010 and 2009, is R$132,628 and R$150,779, respectively, and was calculated base d on expected realiz ation of temporary differences, discounted at the average funding rate of the Bank, for related periods.

Taxable incom e projections consider m acroeconomic assum ptions, exchange and interest rates, estim ates of new fina ncial operations, among others, which m ay vary in relation to actual results.

21. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS (TAX AND SOCIAL SECURITY)

a) Contingent assets - as of September 30, 2010 and 2009, the Bank did not recognize contingent assets.

b) Contingent liabilities classified as probable losses and legal obligations (tax and social security).

The Bank is a party to various lawsuits involving labor, civil and tax matters. Reserves are recorded based on assessments according to the criteria described in note 3. s). The Bank's management understands that the reserve recorded is sufficient to cover losses on these lawsuits.

Reserve recorded and respective changes for the quarters ended September 30, 2010 and 2009 are as follows:

	Bank and Consolidated	
	2010	**2009**
Reserve for tax contingencies (d.1)	385,888	309,985
Labor lawsuits (Note 19.d))	1,337	833
Civil lawsuits (Note 19.d))	7,590	4,235
Total	**394,815**	**315,053**

	Tax		Labor		Civil	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Balance at beginning of period	**318,104**	**225,727**	**908**	**162**	**3,747**	**3,807**
Inflation adjustment	17,976	15,591	-	-	-	-
Recognition	49,808	68,667	429	671	3,843	428
Balance at end of period	**385,888**	**309,985**	**1,337**	**833**	**7,590**	**4,235**

b.1) The Bank is challenging in court the legality of certain taxes and contributions and the amounts involved are fully accrued and adjusted.

The main lawsuits are:

Income tax: seeks deduction of social contribution amounts from the income tax basis and challenges the effect of the discontinuation of the inflation adjustment of the balance sheet.

Social contribution tax: *(i)* challenges the effect of the discontinuation of the inflation adjustment of the balance sheet, the existence of different tax rates and seeks the recognition of interest on capital as deductible expense for 1996; and *(ii)* challenges the increase of the social contribution rate from 9% to 15%, as established by Provisional Act, 413/08, signed into Law 11727 of June 23, 2008.

COFINS (tax on revenue): challenges application of Law, 9718/98.

PIS (tax on revenue): challenges application of Law 9718/98 and requirement by tax authorities of determination of the PIS basis in disagreement with Constitutional Amendments 01/94, 10/96 and 17/97.

c) Contingent liabilities classified as possible losses

Contigent liabilities are not recognized and are represented by civil and labor lawsuits. Civil lawsuits refer mainly to indemnities for moral and property damages which, as of September 30, 2010 and 2009, have the approximate amount of R$21,542 and R$15,279, respectively. Labor lawsuits, as of September 30, 2010 and 2009, have the approximate amount of R$1,017 and R$2,262, respectively.

d) Law 11941/09 - Participation in the tax installment program and settlement of tax debts:

Based on the terms and benefits offered by the tax amnesty program published by the Federal Government, subject to Law 11941/09, the Bank's management, supported by its legal counsel, considered appropriate to join the program. Thus, on November 30, 2009 withdrawals of cases that questioned the difference in social contribution rate for the years ended December 31, 1997 and 1998 were filed, with subsequent request for partial conversion of the respective escrow deposits into income to the Brazilian government, and, on the same date, the requests for joining the installment program provided for in the aforementioned Law were filed which, up to the reporting date of these financial statements, is under consolidation by the Federal Revenue Service.

There are no significant administrative proceedings in progress for noncompliance with the rules of the National Financial System or payment of fines, which might cause a material impact on the financial position of the Bank and its subsidiaries.

22. SHAREHOLDERS' EQUITY (BANK)

a) Capital:

Fully subscribed and paid-up capital of the Bank is represented by registered book-entry common and preferred shares without par value.

b) Breakdown of common and preferred shares:

	Number of shares	
	2010	**2009**
Common shares	142,418,179	142,418,179
Preferred shares	73,906,333	80,215,333
(-) Preferred shares held in treasury (Note 22.d.2))	(846,059)	(6,309,000)
Total 2	**15,478,453**	**216,324,512**

(1) On October 2, 2009, BACEN ratified the cancellation of six million, three hundred and nine thousand (6,309,000) registered preferred shares that were held in treasury, without capital reduction, as approved by the Extraordinary Shareholders' Meeting held on July 31, 2009. Said shares were bought back by the Bank under the share buyback program approved at Board of Directors' meetings held on April 4, 2008 and April 3, 2009, the latter for program renewal.

Accordingly, capital, which was R$1,359,143, represented by 222,633,512 shares, of which 142,418,179 are common shares and 80,215,333 are preferred shares, is now represented by 216,324,512 shares, of which 142,418,179 are common shares and 73,906,333 are preferred shares, all registered, book-entry and without par value.

c) Changes in capital:

	Number of shares		
	Common	Preferred	Total
Number of shares as of December 31, 2009	**142,418,179**	**72,348,941**	**214,767,120**
Share buyback as of September 30, 2010 (note 22.d.2))	-	(92)	(92)
Disposal of shares as of September 30, 2010 (note 22.d.2))		711,333	711,333
Number of shares as of September 30, 2010	**142,418,179**	**73,060,274**	**215,478,453**
Number of shares as of December 31, 2008	**142,418,179**	**77,599,933**	**220,018,112**
Share buyback as of September 30, 2009 (note 22.d.2))	-	(3,693,600)	(3,693,600)
Number of shares as of September 30, 2009	**142,418,179**	**73,906,333**	**216,324,512**

d) Share buyback plan

According to the Bank's Board of Directors' meeting held on October 7, 2009, it was resolved and approved a new Share Buyback Plan, to be held in treasury and subsequently sold or cancelled, without capital reduction, using existing reserves, in conformity with Law 6404/76 and subsequent amendments, CVM Instruction 10/80, and the Bank's bylaws.

During the six-month period ended June 30, 2010, shares acquired under the share buyback plan reached a maximum percentage of 2.8% of outstanding preferred shares, whose characteristics are described below.

d.1) Purpose, term and intermediaries of the share buyback plan

I - Purpose: up to 2.8% of outstanding registered preferred shares, represented by up to 1,557,392 preferred shares, were acquired to be held in treasury and subsequently sold or cancelled.

II - Term: the share buyback plan will be effective until October 6, 2010.

III - Intermediaries: these shares were be bought on the BM&F BOVESPA S.A.- Commodities and Futures Exchange, at market price and the purchase was intermediated by: (i) Ágora CVTM S.A., enrolled with the National Register of Legal Entities (CNPJ) under No. 74014747/0002-16, with headquarters at Avenida Rua Leopoldo Couto Magalhães Jr., 758, 1º andar, São Paulo; (ii) Fator S,A, Corretora de Valores, enrolled with the CNPJ under No. 63062749/0001-83, with headquarters at Rua Dr. Renato Paes de Barros nº 1017, 11º andar, São Paulo; and (iii) Itaú Corretora de Valores S.A., enrolled with the CNPJ under No. 61194353/0001-64, with headquarters at Avenida Doutor Hugo Beolchi, 900, 15° andar, São Paulo.

d.2) Treasury shares

The table below shows information on the Bank's shares as of September 30, 2010 and 2009:

Type	Number of treasury shares	Buyback trading prices minimum	average	maximum	Closing trading price (1)	Market value
2010						
Preferred shares	846,059	8.87	9.35	10.14	11.14	9,425
2009						
Preferred shares	6,309,600	3.67	6.18	15.26	8.60	54,257

(1) Closing trading price disclosed by the BM&FBOVESPA - Commodities and Futures Exchange, *relating to the Bank's preferred shares, ticker DAYC4, based on the trading on September 30, 2010 and 2009.*

Changes in treasury shares for the quarters ended September 30, 2010 and 2009 are stated as follows:

	2010	2009
Balance at beginning of period	**1,557,300**	**2,615,400**
Share buyback plan	92	3,693,600
Sale or cancellation of own shares (note 25.2 V)) (1)	(711,333)	-
Balance at end of period	**846,059**	**6,309,000**

(1) *The Board of Directors' Meeting held on March 11, 2010, approved the sale of treasury shares to meet the exercise of stock options in the scope of the Bank's Stock Option Plan.*

e) Interest on capital and/or dividends:

According to the bylaws, shareholders are entitled to dividends and/or interest on capital equivalent to not less than 25% of net income for the year adjusted according to Brazilian corporate law.

Interest on capital is calculated on shareholders' equity, limited to the variation of the TJLP (long-term interest rate), contingent upon the existence of income before its deduction or retained earnings and profit reserves.

The calculation of dividends and interest on capital for the nine-month period ended September 30, 2010 and 2009 is as follows:

	2010	%(1	2009	%(1)
Net income for the period	203,814		128,617	
(-) Legal reserve	(5,940)		(4,329)	
Adjusted calculation basis	**197,874**		**124,288**	
Gross interest on capital	71,505		73,566	
(-) Withholding income tax on interest on capital	(9,994)		(10,617)	
Net interest on capital for the period	**61,611**		**62,949**	
Net interest on capital for the period 61,611		**31.14%**	**62,949**	**50.65%**

(1) Refers to the percentage rate relating to the net interest on capital over the adjusted net income as of September 30, 2010 and 2009.

Dividends and interest on capital paid or accrued are as follows:

	Nine-month period ended September 30, 2010				
	Gross amount per share		Gross amount paid or	Withholding	Net mount paid
Description	**Common**	**Preferred**	**accrued**	**income tax**	**or accrued**
Interest on capital (1) 0.	11422	0.11422	24,530	(3,457)	21,073
Dividends(2) 0.	45037	0.45037	96,725	-	96,725
Interest on capital(3)	0.10725	0.10725	23,066	(3,222)	19,844
Interest on capital(4)	0.11096	0.11096	23,909	(3,315)	20,594
Total paid or accrued in the period			**168,230**	**(9,994)**	**158,236**

	Nine-month period ended September 30, 2009				
	Gross amount per share		Gross amount paid or	Withholding	Net amount paid
Description	**Common**	**Preferred**	**accrued**	**income tax**	**or accrued**
Interest on capital (5) 0.	11063	0.11063	24,265	(3,501)	20,764
Interest on capital(6)	0.11008	0.11008	23,850	(3,445)	20,405
Interest on capital(7)	0.11765	0.11765	25,451	(3,671)	21,780
Total paid or accrued in the period			**73,566**	**(10,617)**	**62,949**

(1) The Bank's Board of Directors' Meeting held on March 30, 2010 ratified the management's approval of the payment of interest on capital, subject to approval by the Shareholders' Meeting, for the period from January 1 to March 30, 2010. The amounts were made available to shareholders on April 15, 2010 .

(2) The Bank's Board of Directors' Meeting held on May 5, 2010 ratified the payment of interim dividends recorded under "Earnings reserve - bylaws, related to the net income for the year ended December 31, 2008, subject to approval by the Shareholders' Meeting. The amounts were made available to shareholders on May 20, 2010.

(3) The Bank's Board of Directors' Meeting held on June 29, 2010 ratified the management's approval of the payment of interest on capital, subject to approval by the Shareholders' Meeting, for the period from March 31 to June 29, 2010. The amounts were made available to shareholders on July 15, 2010.

(4) The Bank's Board of Directors' Meeting held on September 29, 2010 ratified the management's approval of the payment of interest on capital, subject to approval by the Shareholders' Meeting, for the period from June 30 to September 29, 2010. The amounts were made available to shareholders on October 15, 2010.

(5) The Bank's Board of Directors' Meeting held on March 30, 2009 ratified the management's approval of the payment of interest on capital, subject to approval by the Shareholders' Meeting, for the period from January 1 to March 30, 2009. The amounts were made available to shareholders on April 15, 2009.

(6) The Bank's Board of Directors' Meeting held on June 26, 2009 ratified the management's approval of the payment of interest on capital, subject to approval by the Shareholders' Meeting, for the period from March 31 to June 26, 2009. The amounts were made available to shareholders on July 15, 2009.

(7) The Bank's Board of Directors' Meeting held on September 30, 2009 ratified the management's approval of the payment of interest on capital, subject to approval by the Shareholders' Meeting, for the period from June 27 to September 30, 2009. The amounts were made available to shareholders on October 8, 2009.

f) Revaluation and profit reserves

	2010 2009	
Revaluation reserves [1]	**1,467 1,**	**595**
Profit reserves	**252,190 272,**	**046**
Legal reserve[2]	36,803 24,	637
Unrealized profit reserve [3] 12,	409	12,409
Statutory reserves [4]	202,978 235,	000
Treasury shares (Note 22.d.2))	(7,900)	(38,992)

(1) Refers to the revaluation of properties of subsidiary, which is recorded in income over the estimated useful life of the revalued asset.

(2) 5% of net inco me for the year must be alloca ted to th is reserve until it equals 20% of capita l, according to prevailing legislation.

(3) Reserve relating to the net income of the indirect subsidiary Treetop Investment Ltd.

(4) Reserve recorded according to the bylaws.

23. STATEMENTS OF INCOME

a) Other administrative expenses:

	Bank		Consolidated	
	Nine-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
Public utilities	667	575	667	575
Rent and insurance	6,464	5,621	6,497	5,660
Communications	2,180	1,863	2,180	1,864
Charitable contributions	2,360	797	2,360	797
Assets maintenance	576	458	581	460
Materials	674	406	687	406
Data processing	3,419	3,053	3,426	3,057
Promotion, advertising and publications	3,243	2,049	3,454	2,163
Outside technical and specialized services	49,864	54,795	50,550	53,755
Depreciation and amortization	1,039	1,093	1,429	1,473
Other administrative expenses	7,080	9,685	8,421	12,433
Total	**77,566**	**80.395**	**80,252**	**82,643**

b) Other operating income:

	Bank		Consolidated	
	Nine-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
Exchange variation	87,159	322,134	87,909	322,134
Inflation adjustment of escrow deposits	6,792	5,824	6,792	5,824
Other operating income	12,475	4,426	12,822	4,904
Recovery of charges and expenses	3	46	3	47
Total	**106,429**	**332,430**	**107,526**	**332,909**

c) Other operating expenses:

	Bank		Consolidated	
	Nine-month period ended September 30,		Nine-month period ended September 30,	
	2010	2009	2010	2009
Inflation adjustment of taxes	14,774	15,953	14,774	15,953
Exchange variation	12,170	10,007	13,293	16,050
Other operating expenses	18,647	11,397	19,954	11,522
Total	**45,591**	**37,357**	**48,021**	**43,525**

24. OPERATING LIMITS (BASEL ACCORD)

The Central Bank of Brazil disclosed Communications 12746/04 and 16137/07, which address the guidelines and the implementation schedules of the criteria of the New Basel Accord (Basel II). These Communications contain the recommendations of the Basel Banking Supervision Committee, contained in the document *"International Convergence of Capital Measurement and Capital Standards" (Basel II)*, which establish more appropriate criteria for the risk levels associated to financial institutions' operations for the allocation of regulatory capital.

The table below shows the calculation of the capital requirements and the Basel ratio:

	2010	2009
Adjusted shareholders' equity	**1,735,640**	**1,646,340**
Write-down of revaluation reserves	(1,467)	(1,595)
Write-down of valuation adjustments to available-for-sale securities	(4,057)	(1,070)
Tier I Regulatory Capital	**1,730,116**	**1,643,675**
Addition of revaluation reserves	1,467	1,595
Addition of valuation adjustments to available-for-sale securities	4,057	1,070
Tier II Regulatory Capital	**5,524**	**2,665**
Risk-weighted Regulatory Capital	**1,735,640**	**1,646,340**
Capital allocation by risk level		
Credit risk	631,366	406,386
Market risk	163,779	183,732
Operational risk	106,174	72,364
Required regulatory capital	**901,319**	**617,482**
Basel ratio	**21.18%**	**29.33%**

As of September 30, 2010 and 2009, the Bank's shareholders' equity exceeded by 92.57% and 166.62%, respectively, BACEN's required regulatory capital.

25. EMPLOYEE BENEFIT

25.1) Education Incentive Programs and Profit Sharing Program

As part of its strategy of being ranked among the best companies to work in Brazil, the Bank has invested in welfare and empowering programs involving university students and MBA and postgraduate programs, adhered to the federal government's Underage Apprentice initiative, and implemented its own internship programs.

The Bank has a profit sharing program for all its employees. This program is prepared together with the Union of Bank Employees and is tied to performance targets evaluated annually, using the criteria according to the Performance Assessment program.

25.2) Stock option plan

The Extraordinary Shareholders' Meeting approved on May 21, 2008 a Stock Option Plan under which the Bank will grant to its officers, employees and individuals who render services to the Bank and its subsidiaries options to purchase its shares. The stock option programs were approved by the Board of Directors on July 25, 2008 (First and Second Plans), on December 12, 2008 (Third Plan) and on September 11, 2009 (Fourth Plan).

I - Purpose of the Plan

The Plan is designed primarily to: ***(i)*** boost the Bank's expansion by creating incentives for better integration of employees as shareholders of the Bank; ***(ii)*** allow the Bank to retain its professionals, granting them as additional advantage and incentive the opportunity to become shareholders of the Bank under the terms and conditions of the Plan; and ***(iii)*** foster good performance of the Bank and the interests of its shareholders by means of its executives', officers' and employees' long-term commitment.

II - Plan management and option shares

The plan will be managed by the Board of Directors and all decisions related to the Plan shall be approved by the Board.

The Options granted under the Plan cannot exceed, during the period the Plan is effective, a maximum limit of 5% of the total shares of the subscribed and paid-up capital, at any time, and the shares subject to the Options granted under the Plan will derive, as resolved by the Board of Directors: ***(i)*** from the issuance of new preferred shares, within the authorized capital limit; and/or ***(ii)*** from treasury shares.

III - Beneficiaries

Executives, officers and employees of the Bank and its direct and indirect subsidiaries, and individuals who render services to the Bank or its subsidiaries are eligible to participate in this Plan.

The beneficiaries will have no right as shareholders of the Bank (including the right to receive dividends), with respect to any shares subject to the Options, until such shares are fully subscribed/acquired and paid up by the beneficiaries.

IV - Price and vesting period

1st Program

The exercise price per share will be equivalent to the weighted average of the last 30 trading sessions immediately prior to the option exercise notice, with a discount of 30%.

The vesting period for the 1st Program is determined as follows:

Vesting period	**Exercisable option percentage**
At the end of the 2nd year	50%
At the end of the 3rd year	25%
At the end of the 4th year	25%

2nd Program

The exercise price per share will be R$15.00, adjusted by the variation of the IPCA (extended consumer price index) published by the IBGE (Brazilian Institute of Geography and Statistics) or one that may replace it, from the date of approval of the Program to the date of exercise of the Stock Option.

The vesting period for the 2nd Program is determined as follows:

Vesting period	Exercisable option percentage
At the end of the 1st year	25%
At the end of the 2nd year	25%
At the end of the 3rd year	25%
At the end of the 4th year	25%

3rd Program

The price per share for exercising options ("Exercise Price") will be defined on the stock option grant date, adjusted by the fluctuation of the Extended Consumer Price Index disclosed by the Brazilian Institute of Geography and Statistics ("IPC-A"), or any index that replaces it, from the date the beneficiaries join the Program up to the date the stock option is exercised.

The vesting period of the 3rd stock option program is 180 days, starting on the date of adherence to the Program.

The exercise price will be adjusted taking into consideration dividends and interest on capital that may be paid.

4th Program

The exercise price per share will be equivalent to the weighted average of the last 30 trading sessions immediately prior to the option exercise notice, with a discount of 30%.

The vesting period for the 4th Program is determined as follows:

Vesting Period	Exercisable option percentage
At the end of the 3rd year	50%
At the end of the 4th year	25%
At the end of the 5th year	25%

V - Options granted

Grant Number	Grant Date	Vesting date	Option expiration date	Options Granted	Options Exercised	Options Cancelled	Options available for exercise
1st Program							
1st grant	07/25/2008	07/25/2010	07/25/2018	864,290	(408,333)	-	455,957
2nd grant	12/12/2008	12/12/2010	12/12/2018	42,857	-	-	42,857
3rd grant	11/05/2009	11/05/2011	11/05/2019	125,001	-	(41,667)	83,334
4rd grant	08/30/2010	08/30/2012	08/30/2020	175,439	-	-	175,439
5rd grant	09/29/2010	08/09/2912	09/29/2020	30,305	-	-	30,305
			Total	**1,237,892**	**(408,333)**	**(41,667)**	**787,892**
3rd Program							
1st grant	12/12/2008	06/12/2009	12/12/2018	303,000	(303,000)	-	-
			Total	**303,000**	**(303,000)**	**-**	**-**
4th Program							
1st grant	04/26/2010	04/26/2013	04/26/2020	146,045	-	-	146,045
2nd grant	07/01/2010	07/01/2013	07/01/2020	33,333			33,333
			Total	**179,378**	**-**	**-**	**179,378**
			Total stock options	**1,720,270**	**(711,333)**	**(41,667)**	**967,270**

Until the date of publication of these financial statements, there were no grants for the 2nd Stock Option Program.

VI - Exercised options

In the nine-month period ended September 30, 2010, the Bank's stock options were exercised as follows:

Program	Grant	Exercise date	Exercise price	Market value (1)
1st Program	1st grant	08/16/2010	5,89	9,55
1st Program	1st grant	08/25/2010	5,89	9,55

(1) Market value of the DAYC4 share based on the closing price as of July 25, 2010.

VII - Effects arising from the exercise of options

	In thousands of reais
Amounts received from the beneficiary of the option granted	3,721
(-) Cost of treasury shares	(6,634)
Loss from the sale of treasury shares (1)	**(2,913)**

(1) The loss from the sale of treasury shares arising from the exercise of the options by the beneficiary (beneficiaries) was directly recorded in "Earnings reserve".

VIII - Fair value calculation

The fair value of the stock options of the Stock Option Programs was calculated based on statistical modeling that takes into consideration all the main features of the Programs, including vesting period, option exercise conditions, and price of the underlying asset.

For the nine-month period ended September 30, 2010 and 2009, the accounting effects, had they been recognized, would negatively impact net income by R$839 and R$1,460, respectively.

26. GUARANTEES AND COLLATERALS PROVIDED ON BEHALF OF THIRD PARTIES (BANK AND CONSOLIDATED)

Guarantees and collaterals provided on behalf of third parties as of September 30, 2010 and 2009 amount to R$231,037 and R$281,165, respectively, are as follows:

Composition	2010	2009
Import financing	14,952	46,115
Guarantee beneficiaries	155,177	71,678
Receivables assignment co-obligations	60,908	163,372
Total guarantees and collaterals provided on behalf of third parties	**231,037**	**281,165**

Bank guarantees and collaterals provided on behalf of third parties are subject to financial charges and counter-guarantees provided by beneficiaries.

The table below shows guarantees and collaterals provided on behalf of third parties, recorded in memorandum accounts, as of September 30, 2010 and 2009:

	Bank and Consolidated					
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
2010	79,729	96,255	53,180	1,871	2	**231,037**
2009	95,243	99,656	73,760	12,115	391	**281,165**

The Bank does not guarantee any transaction of direct and indirect subsidiaries, its directors and their family.

27. RELATED-PARTY TRANSACTIONS

a) The direct and indirect subsidiaries and the shareholders of the Bank enter in to transactions with the Bank under usual market conditions. These transactions are contracted at rates consistent with those prevailing in the market on the transaction and settlement dates.

The table below shows the transactions between the Bank and its related parties as of September 30, 2010 and 2009:

Transactions	Nine-month period ended September 30, 2010		Nine-month period ended September 30, 2009	
	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Demand deposits	**(1,048)**	**-**	**(762)**	**-**
Parent company	**(1)**	**-**	**(3)**	**-**
Daycoval Holding Financeira S.A.	(1)	-	(3)	-
Direct subsidiaries	**(39)**	**-**	**(85)**	**-**
ACS Participações Ltda.	(20)	-	(68)	-
Daycoval Asset Management Ltda.	(5)	-	(4)	-
Dayprev Vida e Previdência S.A.	(14)	-	(13)	-
Indirect subsidiaries	**(491)**	**-**	**(109)**	**-**
IFP Promotora de Serviços de Intermediação Financeira Ltda.	(15)	-	-	-
Treetop Investments Ltd.	(476)	-	(109)	-

Transactions	Nine-month period ended September 30, 2010 Assets (liabilities)	Nine-month period ended September 30, 2010 Income (expenses)	Nine-month period ended September 30, 2009 Assets (liabilities)	Nine-month period ended September 30, 2009 Income (expenses)
Other related parties	**(3)**	**-**	**(6)**	**-**
Daycoval Cobr.A. Serv. Ltd.,	(2)	-	(2)	-
Daycoval Fomento Comercial Ltda.	-	-	(2)	-
Parateí Agropecuária e Imob. Ltda.	(1)	-	(1)	-
Valco Admin. Part. e Repres. Ltda.	-	-	(1)	-
Other related parties - individuals	**(514)**	**-**	**(559)**	**-**
Time deposits	**(326,822)**	**(17,668)**	**(169,174)**	**(11,045)**
Parent company	**(161)**	**(10)**	**(181)**	**(1)**
Daycoval Holding Financeira S.A.	(161)	(10)	(181)	(1)
Direct subsidiaries	**(62,304)**	**(2,059)**	**(5,873)**	**(433)**
ACS Participações Ltda.	(61,496)	(2,001)	(5,042)	(373)
Daycoval Asset Management Ltda. (	808)	(58)	(799)	(60)
Indirect subsidiaries	**(7,076)**	**(198)**	**(896)**	**(7)**
IFP Promotora de Serviços de Intermediação Financeira Ltda.	(7,076)	(198)	-	-
Treetop Investments	-	-	(896)	(7)
Other affiliates	**(441)**	**(30)**	**(422)**	**(32)**
Daycoval Fomento Comercial Ltda.	(400)	(28)	(367)	(28)
Parateí Agropecuária e Imob. Ltda.	(41)	(2)	(55)	(4)
Other related parties - individuals	**(256,840)**	**(15,371)**	**(161,802)**	**(10,972)**
Securities issued abroad	**(2,560)**	**(166)**	**(3,999)**	**(179)**
Direct subsidiaries	**(2,183)**	**(74)**	**(174)**	**(12)**
ACS Participações Ltda.	(2,183)	(34)	(174)	(12)
Indirect subsidiaries	**(377)**	**(92)**	**(3,825)**	**(167)**
Treetop Investments Ltd.	(377)	(92)	(3,825)	(167)
Investment fund shares (note 6.b))	**311,602**	**26,459**	**275,727**	**16,740**
Other related parties - legal entity	**311,602**	**26,459**	**275,727**	**16,740**
Daycoval FIDC	-	-	391	9,262
Daycoval Veículos FIDC	63,979	8,737	55,017	982
Daycoval Classic	247,623	17,722	222,319	6,496

The table below shows the interest rates and respective periods of transactions between the Bank and its related parties as of September 30, 2010 and 2009:

		2010						
		Assets (Liability)						
Description	**Interest rate**	**Without maturity**	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Time deposits		**-**	**30**	**435**	**10,446**	**315,405**	**506**	**326,822**
Parent company		**-**	**-**	**-**	**-**	**161**	**-**	**161**
Daycoval Holding Financeira S.A.	10 7% CDI 110% CDI	-	-	-	-	161	-	161
Direct Subsidiaries		**-**	**-**	**-**	**4,136**	**58,168**	**-**	**62,304**
ACS Participações Ltda.	100% CDI 110% CDI	-	-	-	4,136	57,360	-	61,496
Daycoval Asset Management Ltda.	107% CDI	-	-	-	-	808	-	808
Indirect subsidiaries		**-**	**-**	**-**	**-**	**7,076**	**-**	**7,076**
IFP Promotora de Serviços de Intermediação Financeira Ltda.	110% CDI	-	-	-	-	7,076	-	7,076
Other affiliates		**-**	**-**	**-**	**-**	**441**	**-**	**441**
Daycoval Fomento Comercial Ltda.	107% CDI	-	-	-	-	400	-	400
Parateí Agropecuária e Imob. Ltda.	107% CDI	-	-	-	-	41	-	41
Other related parties - individuals	10 3% CDI 112% CDI	**-**	**30**	**435**	**6,310**	**249,559**	**506**	**256,840**

Description	Interest rate	2010 Assets (Liability) Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Securities issued abroad		-	-	-	-	**2,560**	-	**2,560**
Direct Subsidiaries		-	-	-	-	**2,183**	-	**2,183**
ACS Participações Ltda.	6,5%	-	-	-	-	2,183	-	2,183
Indirect subsidiaries		-	-	-	-	**377**	-	**377**
Treetop Investments Ltd.	6,5%	-	-	-	-	377	-	377
Investment fund shares (Note 6.b))								
Other related parties - Legal entity		**311,602**	-	-	-	-	-	**311,602**
Daycoval Veículos FIDC	113% CDI	63,979	-	-	-	-	-	63,979
Daycoval Classic	CDI	247,623	-	-	-	-	-	247,623

Description	Interest rate	2009 Assets (Liability) Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Time deposits		-	**3,996**	**4,999**	**15,397**	**144,322**	**460**	**169,174**
Parent company		-	-	-	-	**181**	-	**181**
Daycoval Holding Financeira S.A.	107% CDI	-	-	-	-	181	-	181
Direct Subsidiaries		-	**3,902-**	**799-**	**442**	**730**	-	**5,873**
ACS Participações Ltda.	103% CDI	-	3,902	-	442	730	-	5,074
Daycoval Asset Management Ltda.	103% CDI	-	-	799	-	-	-	799
Direct subsidiaries		-	-	**896**	-	-	-	-
Treetop Investments Ltda	5% a.a.			896				896
Other affiliates		-	**52**	-	**3**	**367**	-	**422**
Daycaoval Fomento Comercial Ltda.	107% CDI	-	-	-	-	367	-	367
Parateí Agropecuária e Imob. Ltda.	103% CDI		52		3		-	55
Other related parties - individuals	105% CDI	-	**420**	**3,034**	**14,952**	**143,044**	**460**	**161,802**
Securities issued abroad		-	**1,274-**	**2,725**	-	-	-	**3,999**
Direct Subsidiaries		-	**174-**	-	-	-	-	**174**
ACS Participações Ltda.	7.75% a.a	-	174	-	-	-	-	174
Indirect subsidiaries		-	**1,100**	**2,725**	-	-	-	**3,825**
Treetop Investments Ltd.	7.75% a.a	-	1,100	2,725	-	-	-	3,825
Subordinated shares (Note 6.b))								
Other related parties - Legal entity		**222,319**	**391-**	-	-	-	**53,017**	**275,72**
Daycoval FIDC	106% CDI	-	391	- -	-	-	-	391
Daycoval Veículos FIDC	113% CDI	-	-	-	-	-	53,017	53,017
Daycoval Classic	CDI	222,319	-	-	-	-	-	222,319

Pursuant to Brazilian legislation, financial institutions cannot grant loans or advances and cannot guarantee operations of their controlling shareholders, affiliates, directors or their second-degree relatives. Accordingly, the Bank does not grant loans or advances and does not guarantee any operation of its direct and indirect subsidiaries, their directors or family.

b) Compensation of key management personnel:

The Annual Shareholders' Meeting sets the overall compensation of management, as established by the Bank's bylaws.

The General Shareholders' Meeting of April 26, 2010 established overall compensation of management at up to R$15 million.

	Nine month period ended September 30, 2010	2009
Management short-term benefits		
Fixed compensation	8,291	1,695
Variable compensation	1,828	-
Direct and indirect benefits (medical care)	108	60
Total	**10,227**	**1,755**
Management long-term benefits	**Number**	**Number**
Stock options granted - note 25.2	57,143	47,620

The Bank does not grant other short- or long-term post-employment and employment contract termination benefits to the key management personnel.

c) Ownership interest:

As of September 30, 2010 and 2009, the members of the Board of Directors and the Executive Committee hold jointly the following interest in the Bank's capital:

	Percentage interest held per type of share 2010	2009
• Registered common shares - through indirect interest (Daycoval Holding Financeira S.A.)	93.29%	92.16%
• Registered preferred shares	24.59%	22.73%

28. OTHER INFORMATION

a) Third-party asset management:

Daycoval Asset Management is responsible for managing third-party assets through investment funds, whose net assets as of September 30, 2010 and 2009 are R$880,392 and R$528,711, respectively.

b) Insurance coverage against operational risks:

Despite the low risk exposure as a result of their assets not being physically concentrated, the Bank and its subsidiaries have insurance for their assets in amounts considered sufficient to cover potential losses.

c) Relationship with Auditors:

In conformity with CVM Instruction 381, of January 14, 2003, the firm engaged to audit the financial statements and provide external audit services started in the second half of 2009 the identification of the main differences between Brazilian accounting practices, effective as of the reporting date of this financial statements, and international financial reporting standards (IFRS), and started, in the quarter ended September 30, 2010, to provide consulting services for development of the Business Continuity Plan (PCN). The Bank's policy for engaging independent auditors to provide technical and professional services from assures that there is no conflict of interest, loss of independence or objectivity.

d) Audit Committee:

As required by CMN Resolution 3198/04, and with a view to adopting the best industry practices in conducting its businesses, the Bank's Board of Directors, at an extraordinary meeting held on March 26, 2009, decided to establish an Audit Committee, which will be comprised of at least 3 board members, in conformity with prevailing legislation. The establishment of this committee was approved by the Central Bank of Brazil on May 26, 2009.

e) Investment Agreements and issuance of share subscription warrants:

The Bank signed an Investment Agreement (the "Agreement" or "transaction") with institutional investors, whereby funds of approximately R$410 million were raised in the quarter ended March 31, 2009. The following take part in the Agreement: Cartesian Capital Group, Wolfensohn Capital Partners, International Finance Corporation (IFC) and controlling shareholders. Noncontrolling shareholders could also take part in the agreement, under the same conditions as the other participants.

The primary objectives of said Agreement for the Bank include:

a) Increase liquidity and strengthen the capital structure.

b) Strengthen the Bank's fundraising base to make it possible to expand its lending operations in the middle market segment.

c) Diversify fundraising sources and extend the average term.

The transaction has a pioneering structure, as it consists of a private offering of warrants for subscription of common and preferred shares. Only the subscription type under which the bonus underwriter opted for the share subscription in a later period was exercised.

Under this option, underwriters invested in Bank Certificates of Deposit (CDB) issued by the Bank, with the following features:

- Average yield of 99% of DI-CETIP Over rate, as follows: 110% of DI-CETIP Over rate in the period from the investment date through March 31, 2013 and, from March 31, 2013 to March 31, 2014, yielding 55% of DI-CETIP Over rate, as calculated and disclosed by Cetip.

- Warrants may be early redeemed, either in part or in whole, by their holders, exclusively for share subscription purposes, as a result of the exercise of the warrant (which may occur beginning March 31, 2011) at a fixed price of R$7.75 per share.

29. SUBSEQUENT EVENTS

The Board of Directors' meeting held on October 21, 2010 approved the possibility of early redemption of Bank Certificates of Deposit (CDBs) issued by the Bank pursuant to the minutes of the Board of Directors' meeting and Notice to Shareholders, both dated February 19, 2009. The early redemption of CDBs will be approved by Management through negotiation with the respective holders in conditions favorable to the Bank, considering the current economic scenario and financial market liquidity, and (i) shall not constitute a CDB Early Redemption Hypothesis, in conformity with item 16 of the minutes of the Board of Directors' meeting and Notice to Shareholders dated February 19, 2009, (ii) shall not affect the terms and conditions of unredeemed CDBs and (iii) shall not affect the other provisions in the minutes of the Board of Directors' meeting and Notice to Shareholders dated February 19, 2009, notably in relation to the terms and conditions for the exercise of the Subscription Warrants issued by the Bank.

In the scope of the above resolution, R$74,000 of the R$410,000 raised in the quarter ended March 31, 2009 was redeemed through the date of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Banco Daycoval S.A.

Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

Deloitte Touche Tohmatsu
Rua José Guerra, 127
04719-030 - São Paulo - SP
Brasil

Tel.: +55 (11) 5186-1000
Fax: +55 (11) 5181-2911
www.deloitte.com.br

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
Banco Daycoval S.A.
São Paulo, SP

1. We have audited the accompanying individual and consolidated balance sheets of Banco Daycoval S.A. (Bank), its subsidiaries and special purpose entities represented by receivables investment and multimarket funds (Consolidated) as of December 31, 2009 and 2008, and the related statements of income, changes in shareholders' equity (Bank), cash flows, and value added for the years then ended and six-month period ended December 31, 2009, all expressed in Brazilian reais and prepared under the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Bank and Consolidated; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Banco Daycoval S.A. as of December 31, 2009 and 2008, and the results of their operations, the changes in their shareholders' equity (Bank), their cash flows, and the values added in operations for the years then ended and six-month period ended December 31, 2009, in conformity with Brazilian accounting practices.

4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 9, 2010

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Gilberto Bizerra de Souza
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008
(In thousands of Brazilian reais - R$)

		2009		2008	
ASSETS	Note	Bank	Consolidated	Bank	Consolidated
CURRENT ASSETS		4,944,257	5,021,043	5,072,853	5,219,130
Cash		31,153	31,542	45,557	45,785
Interbank investments	5	2,142,757	2,142,757	1,801,367	1,801,367
Money market investments		2,075,563	2,075,563	1,784,687	1,784,687
Interbank deposits		48,774	48,774	10,100	10,100
Foreign currency investments		18,420	18,420	6,580	6,580
Securities and derivatives	6 and 7.II.a)	332,893	303,813	623,365	633,285
Own portfolio		236,397	206,252	201,945	209,927
Linked to repurchase commitments		45,024	45,024	193,233	193,233
Derivatives		20,797	20,797	154,472	154,472
Linked to guarantees		30,675	30,675	73,715	73,715
Reserves guarantee funds		-	1,065	-	1,938
Interbank accounts		16,120	16,120	12,901	12,901
Restricted deposits- Central Bank of Brazil		2,049	2,049	2,949	2,949
Correspondents		14,071	14,071	9,952	9,952
Lending operations		2,119,976	2,223,052	2,236,398	2,371,330
Lending operations - public sector	8	4,587	4,587	12,847	12,847
Lending operations - private sector	8	2,267,141	2,380,503	2,358,268	2,501,394
(Allowance for loan losses)	9	(151,752)	(162,038)	(134,717)	(142,911)
Other receivables		244,076	246,477	292,689	293,886
Foreign exchange portfolio	10.a)	100,496	100,496	205,727	205,727
Income receivable		649	1,240	168	367
Insurance premiums receivable	18.a)	-	459	-	273
Trading account	7.II.a)	26	26	4,922	4,922
Other	10.b)	143,907	145,258	95,627	96,352
(Allowance for other loan losses)	9	(1,002)	(1,002)	(13,755)	(13,755)
Other assets	11	57,282	57,282	60,576	60,576
Repossessed assets		27,705	27,705	26,191	26,191
(Allowance for repossessed assets losses)		(4,780)	(4,780)	(7,375)	(7,375)
Prepaid expenses		34,357	34,357	41,760	41,760
NONCURRENT ASSETS		1,934,339	2,028,941	1,542,331	1,598,789
Securities and derivatives	6 and 7.II.a)	529,962	550,368	373,160	333,312
Own portfolio		324,505	339,841	74,399	33,399
Linked to repurchase commitments		201,624	201,624	254,206	254,206
Derivatives		2,140	2,140	18,140	18,140
Linked to guarantees		1,693	1,693	26,415	26,415
Reserves guarantee funds		-	5,070	-	1,152
Lending operations		1,167,936	1,242,116	931,572	1,027,877
Lending operations - public sector	8	1,251	1,251	5,055	5,055
Lending operations - private sector	8	1,216,878	1,291,058	961,322	1,057,627
(Allowance for loan losses)	9	(50,193)	(50,193)	(34,805)	(34,805)
Other receivables		212,799	212,814	182,979	182,980
Other	10.b)	212,799	212,814	182,979	182,980
Other assets	11	23,642	23,643	54,620	54,620
Prepaid expenses		23,642	23,643	54,620	54,620
PERMANENT ASSETS		64,572	10,844	66,497	13,064
Investments		59,305	382	59,872	356
Investments in domestic subsidiaries	12	59,061	-	59,649	133
Other investments		244	382	223	223
Property and equipment	14	5,207	10,390	6,526	12,597
Buildings		-	10,469	-	10,875
Other		9,749	10,485	9,870	10,683
(Accumulated depreciation)		(4,542)	(10,564)	(3,344)	(8,961)
Intangible assets		60	72	99	111
Intangible assets		339	351	339	351
(Accumulated amortization)		(279)	(279)	(240)	(240)
TOTAL ASSETS		6,943,168	7,060,828	6,681,681	6,830,983

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2009 AND 2008
(In thousands of Brazilian reais - R$)

		2009		2008	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Bank	Consolidated	Bank	Consolidated
CURRENT LIABILITIES		3,314,046	3,314,096	3,405,752	3,435,684
Deposits	15	1,245,443	1,241,391	1,262,489	1,258,451
Demand deposits		125,075	122,728	113,843	113,787
Interbank deposits		131,286	131,286	460,510	460,510
Time deposits		987,127	985,422	687,980	683,998
Foreign currency deposits		338	338	-	-
Other deposits		1,617	1,617	156	156
Money market funding	15	1,191,596	1,189,987	1,290,642	1,290,642
Own portfolio		245,691	244,082	440,430	440,430
Third parties		945,905	945,905	850,212	850,212
Funds from acceptance and issuance of securities	16	208,645	206,023	286,717	285,134
Securities issued abroad		208,645	206,023	286,717	285,134
Interbank accounts		1,296	1,296	494	494
Receipts and payments pending settlement		1,296	1,296	494	494
Interbranch accounts		960	960	2,665	2,665
Third-party funds in transit		960	960	2,665	2,665
Borrowings and onlendings	17	495,038	495,038	338,595	369,635
Domestic borrowings		-	-	-	31,040
Foreign borrowings		450,188	450,188	293,249	293,249
Domestic onlendings					
BNDES		15,747	15,747	900	900
FINAME		5,705	5,705	2,786	2,786
Foreign onlendings		23,398	23,398	41,660	41,660
Derivatives	7.II.a)	5,890	5,908	19,044	19,044
Derivatives		5,890	5,908	19,044	19,044
Technical reserves - insurance	18.b)	-	5,698	-	2,521
Other payables		165,178	167,795	205,106	207,098
Collected taxes and other		1,494	1,494	677	677
Foreign exchange portfolio	19.a)	8,719	8,719	58,935	58,935
Social and statutory	19.b)	25,546	25,710	29,792	29,851
Tax and social security	19.c)	66,848	68,642	69,907	71,180
Trading account	7.II.a)	295	295	15,581	15,581
Other	19.d)	62,276	62,935	30,214	30,874
LONG-TERM LIABILITIES		1,931,398	2,048,455	1,661,143	1,780,005
Deposits	15	1,145,402	1,140,438	499,691	498,518
Interbank deposits		3,343	3,343	3,127	3,127
Time deposits		1,142,059	1,137,095	496,564	495,391
Funds from acceptance and issuance of securities	16	167,437	167,437	500,361	500,361
Securities issued abroad		167,437	167,437	500,361	500,361
Borrowings and onlendings	17	258,517	380,530	391,826	511,858
Domestic borrowings		-	122,013	-	120,032
Foreign borrowings		178,424	178,424	349,227	349,227
Domestic onlendings					
BNDES		55,327	55,327	2,540	2,540
FINAME		24,766	24,766	7,858	7,858
Foreign onlendings		-	-	32,201	32,201
Derivatives	7.II.a)	19,316	19,316	1,085	1,085
Derivatives		19,316	19,316	1,085	1,085
Other payables		340,726	340,734	268,180	268,183
Tax and social security	19.c)	336,071	336,079	264,211	264,214
Other	19.d)	4,655	4,655	3,969	3,969
DEFERRED INCOME		5,006	5,006	7,558	7,558
Deferred income		5,006	5,006	7,558	7,558
MINORITY INTEREST		-	553	-	508
SHAREHOLDERS' EQUITY		1,692,718	1,692,718	1,607,228	1,607,228
Capital-					
Brazilian residents		1,359,143	1,359,143	1,359,143	1,359,143
Capital reserve	22.f)	192	192	170	170
Revaluation reserve	22.f)	1,569	1,569	1,991	1,991
Profit reserves	22.f)	345,887	345,887	267,717	267,717
Adjustment to fair value - securities and derivatives		460	460	(4,919)	(4,919)
Retained earnings	22.d)	(14,533)	(14,533)	(16,874)	(16,874)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,943,168	7,060,828	6,681,681	6,830,983

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
(In thousands of Brazilian reais - R$, except earnings per share)

		2nd Half of 2009		2009		2008	
	Note	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
INCOME FROM FINANCIAL INTERMEDIATION		407,996	425,649	757,890	801,145	1,616,278	1,650,443
Lending operations		385,349	403,565	748,605	790,866	1,031,753	1,073,824
Securities transactions		125,065	124,520	262,186	263,198	275,156	267,249
Derivatives	7.II.h)	(108,275)	(108,293)	(252,901)	(252,919)	219,074	219,074
Foreign exchange transactions		5,857	5,857	-	-	82,764	82,765
Compulsory investments		-	-	-	-	7,531	7,531
EXPENSES ON FINANCIAL INTERMEDIATION		(244,728)	(258,799)	(589,272)	(624,690)	(1,150,518)	(1,181,738)
Funding operations		(149,932)	(149,559)	(324,508)	(323,713)	(762,804)	(762,088)
Borrowings and onlendings		(9,596)	(24,040)	(24,876)	(61,088)	(210,891)	(242,827)
Exchange operations		-	-	(347)	(348)		
Allowance for loan losses	9	(85,200)	(85,200)	(239,541)	(239,541)	(176,823)	(176,823)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		163,268	166,850	168,618	176,455	465,760	468,705
OTHER OPERATING INCOME (EXPENSES)		17,032	14,734	125,643	120,522	(190,488)	(191,951)
Income from services provided		9,090	10,288	16,730	18,499	25,096	26,190
Income from transactions insurance	18.d)	-	1,646	-	3,209	-	2,145
Personnel expenses		(32,834)	(33,223)	(63,180)	(63,927)	(70,303)	(70,995)
Other administrative expenses	23.a)	(51,718)	(53,494)	(106,102)	(109,437)	(170,124)	(172,646)
Tax expenses		(19,155)	(19,485)	(36,612)	(37,395)	(32,345)	(32,899)
Equity in subsidiaries		505	-	(793)	-	6,244	-
Other operating income	23.b)	136,677	137,110	363,245	363,866	84,757	92,280
Other operating expenses	23.c)	(25,533)	(28,108)	(47,645)	(54,293)	(33,813)	(36,026)
INCOME FROM OPERATIONS		180,300	181,584	294,261	296,977	275,272	276,754
NONOPERATING EXPENSES		(3,528)	(3,530)	(12,927)	(12,929)	(14,922)	(14,904)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		176,772	178,054	281,334	284,048	260,350	261,850
INCOME TAX AND SOCIAL CONTRIBUTION	20.a)	(43,411)	(44,555)	(55,909)	(58,309)	(42,993)	(44,115)
Provision for income tax		(33,687)	(34,475)	(68,486)	(70,133)	(65,639)	(66,389)
Provision for social contribution		(23,163)	(23,519)	(41,869)	(42,622)	(32,768)	(33,140)
Deferred taxes		13,439	13,439	54,446	54,446	55,414	55,414
PROFIT SHARING	25.1	(8,841)	(8,961)	(14,337)	(14,610)	(17,207)	(17,541)
MINORITY INTEREST		-	(18)	-	(41)	-	(44)
NET INCOME		124,520	124,520	211,088	211,088	200,150	200,150
NUMBER OF SHARES	22.b)	214,767,212	214,767,212	214,767,212	214,767,212	220,018,112	220,018,112
Earnings per share at end of year/six-month period - R$		0.58	0.58	0.98	0.98	0.91	0.91

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
(In thousands of Brazilian reais - R$)

				Profit reserves						
	Capital	Capital reserve	Revaluation reserve	Legal reserve	Unrealized profit reserve	By-laws reserve	Adjustment to fair value - securities and derivatives	Treasury shares	Retained earnings	Total
BALANCES AS OF DECEMBER 31, 2007	1,359,143	54	2,071	10,301	12,409	138,128	(4,613)	-	-	1,517,493
Adjustment to fair value of securities and derivatives	-	-	-	-	-	-	(306)	-	-	(306)
Share buyback	-	-	-	-	-	-	-	(16,874)	-	(16,874)
Adjustment of stock exchange memberships	-	116	-	-	-	-	-	-	-	116
Realization of revaluation reserve	-	-	(145)	-	-	-	-	-	145	-
Income tax and social contribution on subsidiary's revaluation	-	-	65	-	-	-	-	-	-	65
Net income	-	-	-	-	-	-	-	-	200,150	200,150
Allocations:										
Legal reserve	-	-	-	10,007	-	-	-	-	(10,007)	-
By-laws reserve	-	-	-	-	-	96,872	-	-	(96,872)	-
Interest on capital	-	-	-	-	-	-	-	-	(93,416)	(93,416)
BALANCES AS OF DECEMBER 31, 2008	1,359,143	170	1,991	20,308	12,409	235,000	(4,919)	(16,874)	-	1,607,228
BALANCES AS OF DECEMBER 31, 2008	1,359,143	170	1,991	20,308	12,409	235,000	(4,919)	(16,874)	-	1,607,228
Adjustment to fair value of securities and derivatives	-	-	-	-	-	-	5,379	-	-	5,379
Share buyback	-	-	-	-	-	-	-	(36,651)	-	(36,651)
Cancellation Share buyback	-	-	-	-	-	(38,992)	-	38,992	-	-
Adjustment of stock exchange memberships	-	22	-	-	-	-	-	-	-	22
Realization of revaluation reserve	-	-	(640)	-	-	-	-	-	640	-
Income tax and social contribution on subsidiary's revaluation	-	-	218	-	-	-	-	-	-	218
Net income	-	-	-	-	-	-	-	-	211,088	211,088
Allocations:										
Legal reserve	-	-	-	10,555	-	-	-	-	(10,555)	-
By-laws reserve	-	-	-	-	-	106,607	-	-	(106,607)	-
Interest on capital	-	-	-	-	-	-	-	-	(94,566)	(94,566)
BALANCES AS OF DECEMBER 31, 2009	1,359,143	192	1,569	30,863	12,409	302,615	460	(14,533)	-	1,692,718
BALANCES AS OF JUNE 30, 2009	1,359,143	192	1,867	24,637	12,409	235,000	497	(36,885)	34,269	1,631,129
Adjustment to fair value of securities and derivatives	-	-	-	-	-	-	(37)	-	-	(37)
Share buyback	-	-	-	-	-	-	-	(16,640)	-	(16,640)
Cancellation Share buyback	-	-	-	-	-	(38,992)	-	38,992	-	-
Realization of revaluation reserve	-	-	(495)	-	-	-	-	-	495	-
Income tax and social contribution on subsidiary's revaluation	-	-	197	-	-	-	-	-	-	197
Net income	-	-	-	-	-	-	-	-	124,520	124,520
Allocations:										
Legal reserve	-	-	-	6,226	-	-	-	-	(6,226)	-
By-laws reserve	-	-	-	-	-	106,607	-	-	(106,607)	-
Interest on capital	-	-	-	-	-	-	-	-	(46,451)	(46,451)
BALANCES AS OF DECEMBER 31, 2009	1,359,143	192	1,569	30,863	12,409	302,615	460	(14,533)	-	1,692,718

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
(In thousands of Brazilian reais - R$)

	2nd Half of 2009		2009		2008	
	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income	124,520	124,520	211,088	211,088	200,150	200,150
Adjustments to reconcile net income to net cash provided by (used in) operating activities						
Adjustment to fair value of securities and derivatives	(37)	(37)	5,379	5,379	(306)	(306)
Adjustment of stock exchange memberships	-	-	-	-	116	116
Depreciation and amortization	759	1,005	1,472	1,980	1,315	1,852
Income tax and social contribution on revaluation reserve	-	197	-	218	65	65
Deferred tax	(13,439)	(13,439)	(54,446)	(54,446)	(55,414)	(55,414)
Reserve for tax contingencies	25,310	25,310	93,063	93,063	74,179	74,179
Allowance for loan losses	98,947	98,947	254,889	254,889	163,068	163,068
Allowance for other loan losses	(12,756)	(12,756)	(12,753)	(12,753)	13,755	13,755
Allowance for other asset losses	(991)	(991)	(2,595)	(2,595)	7,375	7,375
Equity in subsidiaries and affiliates	(505)	-	793	-	(6,244)	-
TOTAL RECONCILIATION ADJUSTMENTS	97,288	98,236	285,802	285,735	197,909	204,690
Adjusted net income	221,808	222,756	496,890	496,823	398,059	404,840
Changes in assets and liabililties	(391,621)	(394,208)	(366,711)	(365,778)	(91,647)	(98,605)
Decrease (increase) in interbank and interbranch investments	4,160	4,160	(67,194)	(67,194)		
Increase (decrease) in securities and derivatives	15,621	(5,802)	(26,490)	(46,614)	(61,930)	(40,449)
Decrease (increase) in interbank and interbranch investments	(5,028)	(5,028)	(4,122)	(4,122)	47,705	47,705
Decrease in lending operations	(591,846)	(599,015)	(374,831)	(320,850)	(283,085)	(329,936)
Increase (decrease) in other receivables	(28,168)	(28,972)	60,849	59,636	(79,322)	(79,912)
Decrease (increase) in other assets	2,660	2,659	36,867	36,866	(6,599)	(6,599)
Decrease (increase) in deposits	351,590	350,835	628,665	624,860	(574,443)	(574,889)
Decrease (increase) in money market funding	(71,744)	(73,325)	(194,739)	(196,348)	8,257	8,257
Increase (decrease) in funds from acceptance and issuance of securities	(268,223)	(266,662)	(410,996)	(412,035)	571,227	570,902
Increase (decrease) in borrowing and onlendings	160,334	187,702	23,134	(5,925)	299,601	316,375
Increase (decrease) in other payables	40,382	40,599	(35,302)	(31,500)	(9,222)	(6,223)
Decrease in deferred income	(1,359)	(1,359)	(2,552)	(2,552)	(3,836)	(3,836)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(169,813)	(171,452)	130,179	131,045	306,412	306,235
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposal of property and equipment	49	454	197	610	125	435
Disposal of investments	-	-	-	-	409	409
Acquisition of investments	-	-	-	-	(116)	(116)
Acquisition of property and equipment	(184)	(184)	(297)	(303)	(2,497)	(2,574)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(135)	270	(100)	307	(2,079)	(1,846)
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest on capital/dividends paid and/or accrued	(46,451)	(46,451)	(94,566)	(94,566)	(93,416)	(93,416)
Share buyback	(16,640)	(16,640)	(36,651)	(36,651)	(16,874)	(16,874)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(63,091)	(63,091)	(131,217)	(131,217)	(110,290)	(110,290)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(233,039)	(234,273)	(1,138)	135	194,043	194,099
Cash and cash equivalents at beginning of year/six-month period	1,396,243	1,398,978	1,164,342	1,164,570	970,299	970,471
Cash and cash equivalents at end of year/six-month period	1,163,204	1,164,705	1,163,204	1,164,705	1,164,342	1,164,570
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(233,039)	(234,273)	(1,138)	135	194,043	194,099

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF ADDED VALUE
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2009
(In thousands of Brazilian reais - R$)

	2nd Half of 2009		2009		2008	
	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
INCOME	445,973	464,327	855,266	897,470	1,516,440	1,559,170
Income from financial intermediation	407,996	425,649	757,890	801,145	1,616,278	1,650,443
Income from services provided	9,090	10,288	16,730	18,499	25,096	26,190
Allowance for loan losses	(85,200)	(85,200)	(239,541)	(239,541)	(176,823)	(176,823)
Other	114,087	113,590	320,187	317,367	51,889	59,360
EXPENSES	(159,528)	(173,599)	(349,731)	(385,149)	(973,695)	(1,004,915)
Expenses on financial intermediation	(159,528)	(173,599)	(349,731)	(385,149)	(973,695)	(1,004,915)
INPUTS ACQUIRED FROM THIRD PARTIES	(47,440)	(48,957)	(97,690)	(100,474)	(161,972)	(163,938)
Materials, electric power and other	(10,891)	(12,192)	(21,491)	(23,965)	(23,429)	(25,255)
Outside services	(36,572)	(36,788)	(76,245)	(76,555)	(139,137)	(139,275)
Recovery of assets	23	23	46	46	594	592
GROSS VALUE ADDED	239,005	241,771	407,845	411,847	380,773	390,317
DEPRECIATION AND AMORTIZATION	(759)	(1,005)	(1,472)	(1,980)	(1,315)	(1,852)
NET VALUE ADDED GENERATED BY THE BANK/CONSOLIDATED	238,246	240,766	406,373	409,867	379,458	388,465
VALUE ADDED RECEIVED IN TRANSFER	505	-	(793)	-	6,244	-
Equity in subsidiaries and affiliates	505	-	(793)	-	6,244	-
TOTAL VALUE ADDED FOR DISTRIBUTION	238,751	240,766	405,580	409,867	385,702	388,465
WEALTH DISTRIBUTED	238,751	240,766	405,580	409,867	385,702	388,465
EMPLOYEES	36,132	36,566	66,989	67,868	75,760	76,654
Direct compensation	21,173	21,434	40,860	41,386	45,305	45,814
Benefits	13,475	13,628	23,332	23,647	27,353	27,699
Severance pay fund (FGTS)	1,484	1,504	2,797	2,835	3,102	3,141
TAXES AND CONTRIBUTIONS	74,602	76,152	120,609	123,934	103,547	105,354
Federal	73,487	75,003	118,611	121,853	101,173	102,923
State	257	257	526	547	526	542
Municipal	858	892	1,472	1,534	1,848	1,889
THIRD PARTIES	3,497	3,510	6,894	6,936	6,245	6,263
Rentals	3,497	3,510	6,894	6,936	6,245	6,263
SHAREHOLDERS	124,520	124,538	211,088	211,129	200,150	200,194
Interest on capital paid	46,451	46,451	94,566	94,566	93,416	93,416
Retained earnings for the 2nd half year	78,069	78,069	116,522	116,522	106,734	106,734
Minority interest	-	18	-	41	-	44

The accompanying notes are an integral part of these financial statements.

1. OPERATIONS

Banco Daycoval S.A. (the "Bank") is a multiple service bank authorized to operate commercial, foreign exchange, investment, credit and financing portfolios and, through its direct and indirect subsidiaries, is active in third-party asset management and provision of services. The Daycoval Conglomerate's companies conduct business on an integrated basis.

On January 21, 2008, as published in the Federal Official Gazette, the Central Bank of Brazil authorized the Bank to establish a foreign branch in Grand Cayman, Cayman Islands and, on May 28, 2008, capital was contributed to start the operations of Banco Daycoval S.A. - Cayman Branch.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Bank's financial statements, including its foreign branch, and the consolidated financial statements ("Consolidated") have been prepared in accordance with the accounting criteria set forth by Brazilian Corporate Law- Law 6404/76, the changes introduced by Law 11638/07 and Provisional Act 449/08, for the recording of transactions, together with, when applicable, the standards and instructions of the National Monetary Council (CMN), the Central Bank of Brazil (BACEN), and the Standard Chart of Accounts for Financial Institutions (COSIF), the Brazilian Securities and Exchange Commission (CVM), the Private Insurance Authority (SUSEP).

During the years ended December 31, 2009 and 2008, the Accounting Pronouncements Committee (CPC) issued standards relating to the convergence with international reporting standards. Although such standards have been approved by CVM, not all have been ratified by BACEN. Accordingly, in preparing its consolidated financial statements, the Bank adopted only those pronouncements that have already been ratified by BACEN, namely:

a) CPC-01 - Impairment of Assets (BACEN Resolution 3566/08);

b) CPC 03 - Statements of Cash Flows (BACEN Resolution 3604/08);

c) CPC 05 - Related-party disclosures (BACEN Resolution 3750/09); and

d) CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (BACEN Resolution 3535/08).

The effects of the first-time adoption of the changes introduced by Law 11638/07 and Provisional Act 449/08, signed into Law 11.941/09, after December 31, 2008, did not require significant adjustments in the Bank's individual and consolidated financial statements, which are described in note 29.

In the consolidated financial statements, the balances and transactions between the Bank, its foreign branch, its direct and indirect subsidiaries and special purpose entities, represented by the receivables investment fund, have been eliminated. Net income and shareholders' equity amounts related to minority interests were disclosed in a separate caption. The financial statements of the foreign branch and indirect subsidiary had the accounting criteria adjusted to the Brazilian accounting practices and translated into Brazilian reais.

The consolidated financial statements for the years ended December 31, 2009 and 2008 include the accounts of the Bank, its foreign branch, and the following direct and indirect subsidiaries and special purpose entities as follows:

	Ownership Interest %	
	2009	**2008**
Financial activity - Foreign branch		
Banco Daycoval S.A. - Cayman Branch *(1)*	100.00	100,00
Insurance and pension plan activity		
Dayprev Vida e Previdência S.A. ("Dayprev")	97.00	97.00
Non-financial activity		
ACS Participações Ltda. ("ACS")	99.99	99.99
Daycoval Asset Management Administração de Recursos Ltda.	99.99	99.99
Treetop Investments Ltd. ("Treetop")	99.99	99.99
IFP Planejamento e Consultoria em Informática Ltda. ("IFP")	99.99	99.99
SCC Assessoria em Cadastro e Cobrança Ltda. ("SCC")	99.99	99.99
Special Purpose Entities - SPE		
Daycoval Fundo de Investimento em Direitos Creditórios ("Daycoval FIDC") (2) (3)		100.00
Daycoval Classic Fundo de Investimento Multimercado Crédito Privado ("Daycoval Veículos FIDC") (2) (4)	100.00	100.00
Daycoval Classic Fundo de Investimento Multimercado Crédito Privado ("Daycoval Classic") (5)	95.99	

(1) *Start-up on May 28, 2008.*

(2) *The ownership percentage refers to the total subordinated shares held by the Bank in Daycoval FIDC and Daycoval Veículos FIDC.*

(3) *Daycoval FIDC's operations were discontinued on October 19, 2009.*

(4) *Startup on August 11, 2008.*

(5) *Startup on April 28, 2009.*

2.a) Consolidation of Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC")

In the consolidation of Daycoval FIDC and Daycoval Veículos FIDC, the balances of the receivables portfolio and the allowance for loan losses were incorporated into the Bank's loan portfolio, with recording of the financing under the caption "Borrowings and onlendings - domestic borrowings", net of investments in investment fund shares represented by subordinated shares held by the Bank in Daycoval FIDC.

Additionally, income from Daycoval Veículos FIDC receivables was recorded under the caption “Lending operations” in the statement of income, and the cost of financing, related to senior shares, was recorded under the caption “Borrowings and Onlendings”. The income earned by the Bank from appreciation of its shares in Daycoval Veículos FIDC, which was originally recorded under the caption “Securities transactions”, was reclassified to the caption “Lending operations”, in order to present fairly the operation in the consolidated financial statements.

As provided for by CVM/SNC-SEP Circular Letter 01/07, of February 14, 2007, the Bank’s Management added the balances of receivables and allowance for loan losses to the consolidated financial statements for the years ended December 31, 2009 and 2008, as it considers that the control (receiving, onlending and collection) of receivables assigned to Daycoval Veículos FIDC is under its responsibility, which in substance represents the provision of guarantees to Fund investors in relation to the receiving of these receivables.

The following is the main information on Daycoval Veículos FIDC, pursuant to CVM Instruction 408/05.

I. Characteristics of Daycoval Veículos FIDC

Daycoval Veículos FIDC is managed by *Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.* and was established as a closed-end fund available to qualified investors according to prevailing regulation. Daycoval Veículos FIDC started operations on August 11, 2008, for a term of 10 years from the first payment of 1^{st} series senior shares of the Fund.

II. Name, type, purpose and activities of Daycoval Veículos FIDC

The purpose of Daycoval FIDC Veículos is to provide its investors with the appreciation of its shares by investing money principally in the acquisition of receivables from the financial industry, entered into by the Bank (Assignor) and its customers. These receivables arise from vehicles financing.

The Daycoval Veículos FIDC will seek to achieve, but will not guarantee, yield equivalent to 113% of the DI (interbank deposit rate), respectively for Daycoval FIDC and Daycoval Veículos FIDC. This benchmark is applicable to Senior Shares. There is no preestablished benchmark for Subordinated Shares.

III. Share of Daycoval Veículos FIDC’s net assets and profits

According to article 24, item XV, of CVM Instruction 356, as amended by CVM Instruction 393, Daycoval Veículos FIDC should maintain a minimum ratio between the senior shares’ value and net equity. This ratio shall be daily determined and monthly reported to the Fund’s investors.

The table below shows minimum ratios between senior and subordinated share’s value to Daycoval Veículos FIDC net equity:

	% to FIDC's net equity[(*)]
Senior shares	77.00
Subordinated shares	23.00

[(*)] *Pursuant to Article 11.12 of Fund Regulation.*

IV. Nature of Bank's involvement with Daycoval Veículos FIDC, and type of exposure to loss, if any, arising from this involvement

It is solely the responsibility of the Assignor (Bank) to ensure that the receivables satisfy assignment conditions, without affecting the assignee's (Daycoval Veículos FIDC) right to do so, directly or by means of third parties.

V. Amount and nature of receivables and payables between the Bank and Daycoval Veículos FIDC, assets transferred by the Bank and rights of use of Daycoval Veículos FIDC's assets

For the year ended December 31, 2009 and period from August 11 (start-up date) to December 31, 2008, the Bank assigned to Daycoval Veículos FIDC, without any co-obligation, vehicle financing operations in the amounts of R$90,874 and R$186,686, respectively.

No income on the assignment of receivables to Daycoval Veículos FIDC has been recorded by the Bank.

Additionally, as investments in FIDC subordinated shares were maintained in Daycoval Veículos FIDC, the Bank recognized the effect of variation in these shares under the "Securities transactions" caption, as shown below:

	2009	2008
Daycoval Veículos FIDC	3,207	19

[(*)] *Refers to the income recognized during the period from August 11 (start-up of operations) to December 31, 2008.*

VI. The balance sheets of Daycoval Veículos FIDC as of December 31, 2009 and 2008 were as follows:

Daycoval FIDC

Assets	**2009**	**2008**	**Liabilities**	**2009**	**2008**
Cash	1,314	19	Derivatives	14,014	6,722
Interbank investments	21,037	14,226			
Federal government securities	23,933	18,789	Other payables	48	42
Derivatives	12	-			
Lending operations	177,255	171,953			
Receivables	187,541	172,938			
(-) Allowance for losses	(10,286)	(985)	Net assets	209,496	198,338
			Senior shares	154,254	146,303
Other receivables	19	114	Subordinated shares	55,242	52,035
Other assets	-	1			
Total assets	**223,558**	**205,102**	**Total liabilities**	**223,558**	**205,102**

VII. Guarantees, sureties, mortgages or other collateral in favor of Daycoval Veículos FIDC

The Bank has provided no guarantee, surety, mortgage or other collateral in favor of Daycoval Veículos FIDC or its investors.

VIII. Identification of the principal beneficiary or group of principal beneficiaries of FIDC's activities

The Bank holds all subordinated shares of Daycoval Veículos FIDC, the senior shares are held by qualified investors.

2.b) Information of Daycoval FIDC

Daycoval FIDC is managed by Intrag Distribuidora de Títulos e Valores Mobiliários Ltda. and was established as a closed-end fund available to qualified investors according to prevailing regulation. Daycoval FIDC started operations on September 13, 2006, for a term of 3 years from the first payment of 1st series senior shares of the Fund.

As of December 31, 2009, Daycoval FIDC's operations were discontinued.

The financial position, results of changes in subordinated shares, and total receivables assigned to Daycoval FIDC by the Bank are as follows:

I. Financial position

Daycoval FIDC			
Assets	**2008**	**Liabilities**	**2008**
Cash and cash equivalents	8	Other payables	54
Federal government securities	42,620		
Lending operations	59,170		
Receivables	66,492		
(-) Allowance for losses on receivables	(7,322)	Shareholders' equity	105,861
Other receivables	4,116	Senior shares	77,731
Other	1	Subordinated shares	28,130
Total assets	**105,915**	**Total liabilities**	**105,915**

II. Amount and nature of receivables assigned

For the period from January 1 to October 19, 2009 (close-down date) and year ended December 31, 2008, the Bank assigned to Daycoval FIDC, without any co-obligation, lending operations in the amounts of R$112,639 and R$606,728, respectively.

III. Results of changes in subordinated shares

	2009 (*)	**2008**
Daycoval FIDC	9,295	10,043

(*) *Refer to the income recognized from January 1 to October 19, 2009 (close-down date).*

The results above refer to the appreciation of the Bank’s shares held with Daycoval FIDC, originally recorded under “Securities transactions” and reclassified to “Lending operations” to reflect their substance in the consolidated financial statements for the period ended December 31, 2009 and 2008.

2.c) Consolidation of Investment Fund Multimarket

In the consolidation of Daycoval Classic Fundo de Investimento Multimercado Crédito Privado (“Daycoval Classic”), the balance of the securities portfolio was incorporated into the Bank’s respective portfolio, while the balance of investments in fund shares, represented by the shares maintained by the Bank in Daycoval Classic, was eliminated.

Income from Daycoval Classic share was maintained in the caption where it had been originally recorded (“Securities transactions”), with no reclassification being required.

Following is the main information on Daycoval Classic, pursuant to CVM Instruction 408/05:

I. Characteristics of Daycoval Classic

Managed by Daycoval Asset Management Administração de Recursos Ltda., Daycoval Classic was structured as an open-end fund available only to a restrict group of investors primarily comprised of the Bank and its subsidiaries and affiliates. Daycoval Classic started operations on April 28, 2009 and shall remain active for an indeterminate term.

II. Name, type, purpose and activities of Daycoval Classic

The purpose of Daycoval Classic is to provide its investors with the appreciation of its shares by investing money in low, medium and high credit-risk, fixed-income securities that expose its portfolio to the fluctuations in domestic interest rates and/or price indices, according to Fund regulations.

III. Share of Daycoval Classic’s net assets and profits

The Bank’s interest is proportional to the number of shares held in Daycoval Classic.

IV. Nature of Bank´s involvement with Daycoval Classic and type of exposure to loss, if any, arising from this involvement

Daycoval Classic’s investment portfolio is subject to the fluctuations in price and/or market quotations, credit and liquidity risks and to the fluctuations in prices and quotations relating to its assets, securities and operation, which may result in loss for Daycoval Classic, the investors, or even negative equity, in which case investors, upon the fund manager’s request, are called to make contributions to cover losses.

V. Gains (losses) on shares held in Daycoval Classic

As a result of its investments in Daycoval Classic, the Bank recognized in “Securities transactions” the gains (losses) on shares held, as shown below:

	2009[*]
Daycoval Classic	11,566

[*] *Refer to the income recognized from April 28 (start-up date) to December 31, 2009.*

VI. The financial position of the Daycoval Classic as of December 31, 2009 was as follows

Daycoval Classic

Assets	**2009**	**Liabilities**	**2009**
Cash and cash equivalents	1	Other payables	35
Interbank investments	1,676		
Securities	229,515	Shareholders' equity	231,158
Securities	229,515	Investment shares	220,462
		Accumulated income	10,696
Other amounts	1		
Total assets	231,193	**Total liabilities**	231,193

VII. Guarantees, sureties, mortgages or other collateral in favor of Daycoval Classic

The Bank has provided no guarantee, surety, mortgage or other collateral in favor of Daycoval Classic or its investors.

VIII. Identification of the principal beneficiary or group of principal beneficiaries of Daycoval Classic's activities

The Bank holds substantial part of total shares of Daycoval Classic's net assets.

3. SIGNIFICANT ACCOUNTING PRACTICES

Significant accounting practices applied in the preparation of the financial statements are as follows:

a) Income and expenses are recorded on the accrual basis. Operations with fixed rates are stated at redemption amount, and income and expenses for future periods are reported as a reduction of the related assets and liabilities. Financial income and expenses are calculated under the exponential method, except when resulting from foreign operations, which are calculated under the straight-line method. Operations with floating rates or indexed to foreign currencies are adjusted through the balance sheet date.

b) Interbank investments and other receivables, except securities and derivatives, are stated at cost, plus monetary and exchange variations and interest earned. When fair value is lower than carrying amount, an allowance is recorded to adjust the asset to realizable.

c) Under BACEN Resolution 3604/08, cash and cash equivalents are represented by cash and deposits in financial institutions, recorded under the captions "Cash", "interbank investments", and "securities" classified in the trading portfolio, whose total application term is 90 days, and the change in their fair value is considered immaterial.

d) Securities are stated at cost plus income earned, as detailed below: (i) fixed-income securities are adjusted at the applicable interest rate through their maturities; (ii) shares are adjusted based on the average price informed by the Stock Exchange which trades more shares; and (iii) investments in investment funds adjusted based on the share value informed by the fund managers.

   Securities can be classified in conformity with BACEN Circular No. 3068/2001 into one of the following three categories:

   - Trading securities - securities bought and held principally for the purpose of selling them in the near term and reported at fair value, with unrealized gains and losses included in income for the period.

   - Available-for-sale securities - securities not classified as either trading securities or held-to-maturity securities. Unrealized gains and losses are reported in a separate component of shareholders' equity, net of taxes, and are included in income for the year when realized.

   - Held-to-maturity securities - securities that the enterprise has the positive intent and ability to hold to maturity and stated at cost, plus income earned, included in income for the period.

   Bonuses resulting from investments in shares of publicly-traded companies are recorded in securities portfolio only according to the respective number, without modifying the value of investments, when the corresponding shares are considered ex-rights on the stock exchange.

   Dividends and interest on capital from investments in publicly-traded companies are recorded as income when related shares are considered ex-rights on the stock exchange.

e) Derivatives consist of option, forward, futures and swap transactions and are reported in conformity with BACEN Circular No. 3082/02, as described below:

   - Option transactions - premiums received or paid are recorded at fair value under the caption "derivatives" in assets or liabilities, respectively, until the exercise of the option, and reported as a decrease or increase in the cost of the asset for the exercise of the option or as income or expense in the event of non-exercise.

   - Futures transactions - daily adjustments are recorded at fair value under the caption "Trading account" in assets or liabilities and allocated daily to income or expense.

   - Currency swap transactions - differential receivable or payable is recorded at fair value under the caption "Derivatives" in assets or liabilities, respectively, and allocated to income or expense.

   - Forward transactions - are recorded at final contract value, less the difference between that value and the cash price of the asset, with recognition of income and expenses over the contract periods.

   Derivative transactions are stated at fair value as of the balance sheet date, with gains and losses reported as described below:

- Derivatives that not qualify as hedge - in income or expense in the statement of income.
- Derivatives that qualify as hedge - classified as market risk value or cash flow hedges.

Market risk hedges are intended to offset the movement in the fair value of the hedged item, with gains or losses included in income or expenses in the statement of income.

Cash flow hedges are intended to offset the change in estimated future cash flows, with gains or losses, net of taxes, included in a separate component of shareholders' equity, with any other change included in income or expense in the statement of income.

f) Lending operations are classified based on Management's risk assessment, considering the past experience with prior borrowers and guarantors, economic scenario, and specific and overall portfolio risks, pursuant to CMN Resolution No. 2682/99 ratified by the BACEN, which requires a periodic analysis of the portfolio and its classification into nine rating levels from AA (minimum risk) to H (maximum risk - loss).

Income from lending operations past-due for more than 60 days, regardless of the risk level, is only recognized when actually received. H-rated loans remain as such for six months and, thereafter, are written off against the existing allowance and remain controlled in a memorandum account not shown on the balance sheet.

g) Foreign exchange transactions are stated at realizable values, plus income and exchange variations earned on a pro rata daily basis.

h) Insurance premiums are recorded in income when the respective insurance policies and invoices are issued and deferred on a straight-line basis, over the insurance policy effective term, i.e., within the risk coverage period, by recording and reversing the unearned premium reserve and deferred selling expenses.

i) Prepaid expenses related to commissions paid to third parties are controlled by contract and accounted for under the caption "Prepaid expenses". The recognition of such expenses as "Other administrative expenses" is made on a pro-rata temporis basis, over the term of the respective contracts, or fully recognized, when such contracts are settled in advance.

j) Investments in subsidiaries are stated under the equity method, which is applied to all associated companies in which the Bank has significant influence, that is, in which the Bank holds at least 20% of the voting capital;

k) Other investments are stated at cost, less allowance for loss, when applicable.

l) Property and equipment are stated at acquisition cost, except for real estate held by the subsidiary, which is recorded at acquisition cost plus revaluation at market value. Depreciation is calculated under the straight-line method at the annual rates stated in note 14, based on the economic useful lives of the assets.

m) Intangible assets correspond to rights acquired in intangible assets that are maintained or used in the operations of the Bank and its subsidiaries or exercised for such purpose; intangible assets with finite lives are amortized on a straight-line basis over the estimated period they will generate economic benefits.

n) The impairment of non-monetary assets is recognized when the carrying amount of an asset or a cash generating unit is higher than its recoverable or realizable value. A cash generating unit is the smallest identifiable group of assets which generates cash flows substantially independent from other assets and groups of assets. Impairment losses are recorded in the statement of income for the period when they are recognized, when applicable. As of December 31, 2009, there is no indication of impairment of non-financial assets.

As from the year ended December 31, 2008, the amounts of non-monetary items, except those recorded under the captions “Other assets” and “Other receivables - tax credits”, are periodically, at least annually, tested for impairment.

o) Known or estimated liabilities, payables and contingencies, including tax charges calculated based on income for the period, include interest and exchange rate change or inflation adjustment accrued through the balance sheet date. Liabilities in foreign currency are translated into local currency at the exchange rates in effect on the balance sheet date, as informed by BACEN, and liabilities subject to indexation are inflation adjusted through the balance sheet date. Hedged liabilities are adjusted to fair value.

p) The provision for income tax is recorded at the rate of 15%, plus a 10% surtax when applicable. Beginning May 1, 2008, the provision for social contribution is calculated at the rate of 15%, as established by Provisional Act No. 413, of January 3, 2008, signed into Law No. 11727 on June 23, 2008

q) Income tax and social contribution credits are recognized on temporary additions and deductions and based on legislation in effect at the date of recognition. These tax credits will be realized when the amounts on which they were recognized are utilized or reversed.

r) Technical reserves - insurance - calculated in accordance with the technical notes approved by SUSEP and the criteria established by CNSP Resolution No. 162 of December 26, 2006 and subsequent changes introduced by CNSP Resolution No. 181 of December 19, 2007.

r.1) Insurance

- Reserve for unsettled claims - is recorded, based on notices of claims, in an amount sufficient to cover future commitments under legal disputes, where the amount is determined by experts and legal counsel that perform the assessments based on insured amount and technical regulations, taking into account the likelihood of unfavorable outcome to the insurance company.

- Reserve for incurred but not reported losses (IBNR) - recorded to cover insured losses that have occurred but have not been reported.

s) Contingent assets and liabilities and legal, tax and social security obligations

Contingent assets and liabilities and legal obligations are determined, recognized and disclosed in conformity with the criteria set forth in CVM Resolution No. 489/2005 and IBRACON Interpretation No. 02/2006, as described below:

- Contingent assets are not recorded in the financial statements, except when there is evidence that they will be realized and are not subject to appeals.

- Contingent liabilities are recorded in the financial statements when the risk of loss on an administrative or judicial proceeding is assessed by the legal counsel and Management as probable, with probable outflow of funds to settle obligations, and when the amounts involved can be reliably measured. Contingent liabilities classified as possible loss by the legal counsel are only disclosed in notes to the financial statements. Those classified as remote loss do not require provision and disclosure.

- Legal obligations (tax and social security) refer to lawsuits challenging the legality and constitutionality of certain taxes. The amount under litigation is determined, accrued and adjusted monthly.

Beginning the year ended December 31, 2010, contingent assets, contingent liabilities and legal, tax and social security liabilities will be recognized, measured and disclosed in accordance with BACEN Resolution 3823/08, which approved Technical Pronouncement 25 issued by the Accounting Pronouncement Committee - CPC. This new Resolution has been effective since January 1, 2010 and revokes BACEN Resolution 3535/08.

t) Earnings per share are calculated based on the number of shares at the balance sheet dates.

u) Uses of estimates - The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and other transactions, such as: (i) depreciation rates of property and equipment, (ii) amortization of intangible assets, and (iii) reserves for contingencies. Actual results could differ from those estimates.

v) Fixed asset and liability financial instruments are adjusted to present value by unearned income and unearned expenses, which adjust these instruments to the amounts that would be obtained in case they were cash transactions, as well as floating-rate financial instruments, which are realized at their cash value and are periodically adjusted by their respective transactions rates.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	Bank		Consolidated	
Type	**2009**	**2008**	**2009**	**2008**
Cash	31,153	45,557	31,542	45,785
Interbank investments(*)	1,129,658	951,155	1,129,658	951,155
Securities	2,393	167,630	3,505	167,630
Total Cash and Cash Equivalents	**1,163,204**	**1,164,342**	**1,164,705**	**1,164,570**

(*) *Interbank investments included in cash and cash equivalents are stated net of the amount recorded under the caption "Money market investments - third parties funding" which as of December 31, 2009 and 2008 total R$945,905 and R$850,212, respectively, both in Bank and Consolidated.*

5. INTERBANK INVESTMENTS

Interbank investments are as follows:

Type	Bank and consolidated 2009 Maturity	2009 Amount	2008 Maturity	2008 Amount
Money market investments	Up to 1 business day	2,075,563	Up to 1 business day	1,784,687
Interbank deposits	Up to November 2009	48,774	Up to December 2008	10,100
Foreign currencies	Up to January 2009	18,420	Up to 2 business days	6,580
Total		2,142,757		1,801,367

6. SECURITIES

a) By category and type

Available-for-sale securities	Bank 2009 Adjusted cost	2009 Fair value (1)	2008 Adjusted cost	2008 Fair value (1)
Own portfolio	559,752	560,902	277,319	276,344
National Treasury bills (LTN)	44,153	43,928	167,672	167,686
Treasury bills (LFT)	89,601	89,601	14,245	14,241
National Treasury notes (NTN)	100,035	99,045	3,875	3,873
Foreign fixed-income securities	41,656	43,578	4,216	3,826
Bank certificates of deposit (CDBs)	4,242	4,242	5,269	5,269
Investment fund shares	277,131	277,131	80,165	80,165
Shares of publicly-traded companies	2,934	3,377	1,877	1,284
Held under repurchase agreements	247,846	246,648	453,135	447,439
National Treasury bills (LTN)	135,699	134,904	158,363	159,529
Treasury bills (LFT)	45,024	45,024	153,963	153,938
National Treasury notes (NTN)	67,123	66,720	140,809	133,972
Linked to guarantees	32,368	32,368	100,470	100,130
National Treasury bills (LTN)	54	54	45,808	45,477
Treasury bills (LFT)	32,314	32,314	54,662	54,653
Total	839,966	839,918	830,924	823,913

Available-for-sale securities	Consolidated 2009 Adjusted cost	2009 Fair value (1)	2008 Adjusted cost	2008 Fair value (1)
Own portfolio	544,005	546,093	244,298	243,326
National Treasury bills (LTN)	53,661	53,399	176,316	176,338
Treasury bills (LFT)	117,393	117,392	21,856	21,847
National Treasury notes (NTN)	100,035	99,045	3,875	3,873
Foreign fixed-income securities	53,156	55,078	27,114	26,724
Bank certificates of deposit (CDBs)	158,754	158,754	5,269	5,269
Debentures	40,975	40,975		
Investment fund shares	17,004	17,004	7,800	7,800
Shares of publicly-traded companies	3,027	4,446	2,068	1,475
Held under repurchase agreements	247,846	246,648	453,135	447,439
National Treasury bills (LTN)	135,699	134,904	158,363	159,529
Treasury bills (LFT)	45,024	45,024	153,963	153,938
National Treasury notes (NTN)	67,123	66,720	140,809	133,972
Linked to guarantees	32,368	32,368	100,470	100,130
National Treasury bills (LTN)	54	54	45,808	45,477
Treasury bills (LFT)	32,314	32,314	54,662	54,653
Assets guaranteeing technical reserves	6,118	6,135	3,088	3,090
Treasury bills (LFT)	6,118	6,135	3,088	3,090
Total	830,337	831,244	800,991	793,985

(1) *The securities' market value was calculated based on the prices and rates prevailing at December 31, 2009 and 2008, as disclosed by the Brazilian Financial and Capital Markets Association (ANBIMA), investment fund managed, BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, and other pricing agents for securities acquired abroad.*

(2) *As of December 31, 2009 and 2008, securities linked to guarantees refer to securities linked to: (i) transactions conducted at BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias & Futuros, in the amount of R$26,962 and R$95,107, respectively (Note 7.II.h); and (ii) transactions conducted in Clearing Houses, in the amount of R$5,406 and R$5,023, respectively.*

b) Breakdown by maturity

	Bank 2009						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	-	67,368	12,985	245,561	142,488	43,188	511,590
National Treasury bills (LTN)	-	45	-	178,841	-	-	178,886
Treasury bills (LFT)	-	67,323	12,985	-	43,443	43,188	166,939
National Treasury notes (NTN)	-	-	-	66,720	99,045	-	165,765
Securities issued abroad	-	-	2,235	14,790	-	26,553	43,578
Securities of financial institutions							
Eurobonds and others	-	-	2,235	14,790	-	24,927	41,952
Countries' securities							
Brazil	-	-	-	-	-	1,626	1,626
Private-sector securities	3,377	4,242	-	-	-	-	7,619
Bank Certificates of Deposit (CDBs)	-	4,242	-	-	-	-	4,242
Shares of publicly-traded companies	3,377	-	-	-	-	-	3,377
Investment fund shares	221,889	-	-	-	-	55,242	277,131
Receivables fund	-	-	-	-	-	55,242	55,242
Multimarket funds	221,889	-	-	-	-	-	221,889
Total	225,266	71,610	15,220	260,351	142,488	124,983	839,918

	Bank 2008						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	-	167,630	271,849	152,371	10,419	131,100	733,369
National Treasury bills (LTN)	-	167,630	132,874	72,188	-	-	372,692
Treasury bills (LFT)	-	-	138,975	39,299	10,419	34,139	222,832
National Treasury notes (NTN)	-	-	-	40,884	-	96,961	137,845
Securities issued abroad	-	-	-	3,826	-	-	3,826
Securities of financial institutions							
Eurobonds and others	-	-	-	3,826	-	-	3,826
Private-sector securities	1,284			5,269	-	-	6,553
Bank Certificates of Deposit (CDBs)	-	-	-	5,269	-	-	5,269
Shares of publicly-traded companies	1,284	-	-	-	-	-	1,284
Investment fund shares	-	-	28,130	-	-	52,035	80,165
Receivables fund	-	-	28,130	-	-	52,035	80,165
Total	1,284	167,630	299,979	161,466	10,419	183,135	823,913

	Consolidated 2009						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	-	68,796	20,439	259,025	157,675	49,052	554,987
National Treasury bills (LTN)	-	51	-	188,306	-	-	188,357
Treasury bills (LFT)	-	68,745	20,439	3,999	58,630	49,052	200,865
National Treasury notes (NTN)	-	-	-	66,720	99,045	-	165,765
Securities issued abroad	-	1,772	2,235	15,683	2,484	32,904	55,078
Securities of financial institutions							
Eurobonds and others	-	1,772	2,235	15,683	2,484	31,278	53,452
Countries' securities							
Brazil	-					1,626	1,626

	Consolidated 2009						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Private-sector securities	**4,446**	**21,234**	**147,090**	**21,616**	**4,853**	**4,936**	**204,175**
Bank Certificates of Deposit (CDBs)	-	21,234	116,653	20,867	-	-	158,754
Debentures	-	-	30,437	749	4,853	4,936	40,975
Shares of publicly-traded companies	4,446	-	-	-	-	-	4,446
Investment fund shares	**17,004**	-	-	-	-	-	**17,004**
Receivables fund	4,844	-	-	-	-	-	4,844
Multimarket funds	12,160	-	-	-	-	-	12,160
Total	**21,450**	**91,802**	**169,764**	**296,324**	**165,012**	**86,892**	**831,244**

	Consolidated 2008						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**74,876**	**184,108**	**342,357**	**18,956**	**96,708**	**717,005**
National Treasury bills (LTN)	-	69,468	156,809	160,298	-	-	386,575
Treasury bills (LFT)	-	5,408	27,299	143,321	18,956	-	194,984
National Treasury notes (NTN)	-	-	-	38,738	-	96,708	135,446
Títulos e valores mobiliários no exterior	**12,222**	**128**	**952**	**1,528**	**3,435**	**1,802**	**20,067**
Shares	719	-	-	-	-	-	719
Investment funds	11,503	-	-	-	-	-	11,503
Securities of countries Brazil	-	-	88	-	-	192	280
Securities of companies Eurobonds and others	-	128	864	1,528	3,435	1,610	7,565
Private-sector securities	**2,147**	**7,072**	**-**	**-**	**-**	**-**	**9,219**
Bank Certificates of Deposit (CDBs)	-	7,072	-	-	-	-	7,072
Shares of publicly-traded companies	2,147	-	-	-	-	-	2,147
Investment fund shares	**6,512**	**-**	**-**	**-**	**-**	**-**	**6,512**
Fixed-income funds	6,512	-	-	-	-	-	6,512
Total	**20,881**	**82,076**	**185,060**	**343,885**	**22,391**	**98,510**	**752,803**

7. DERIVATIVES

I. Qualitative information

The Bank conducts operations involving derivative financial instruments recorded in balance sheet and memorandum accounts to meet its own and customers' needs, which are recorded in balance sheet and memorandum accounts.

Derivatives used are properly approved under the product use policy. Pursuant to this policy, prior to the implementation of each product all aspects should be analyzed, such as: objectives, forms of use, risks involved and adequate operational support infrastructure.

The components of credit and market risks involved in derivatives are monitored daily. Specific limits are set for derivative transactions, customers and custodians. Such limits are managed by a system that consolidates exposures by counterparty. Any deviations are promptly indicated and addressed for immediate solution.

The market risk of derivatives is managed by a prevailing risk policy, pursuant to which potential risks of price fluctuations in the financial markets are centralized in the Treasury department, which provides hedge for the other areas.

a) Derivatives

The main derivatives used are swaps, dollar futures (DOL), fixed rate (DI) and exchange coupon (DDI), and non-deliverable forwards. BACEN Circular No. 3082/02 permitted a specific accounting in the cases derivatives are used to hedge against changes in fair value or cash flow.

b) Risk management

Market risk

The Bank uses value at risk (V@R) to measure the market risk of all products and markets, providing a basis for risk comparison of various portfolios. The Bank uses the parametric V@R model for a ten-days time horizon at the 99% confidence level. At the close of the day, said method is applied to the outstanding operations base. The Risk Management department manager analyzes and approves daily the calculated figures.

The reports containing the results are made available on the Bank's intranet for authorized persons. The accuracy of the V@R model is determined through backtesting that consists of comparing the actual results to estimates generated from the V@R model.

To measure the possible effects of unexpected market movements, which are not predicted by V@R, the Bank uses scenario analysis techniques. The models include projected scenario analyses and stress testing, whose ultimate objective is to assure that the Bank and the companies included in the consolidated financial statements have capacity to respond to extreme market conditions.

Liquidity risk

Liquidity risk is related to the mismatching of assets and liabilities in relation to dates for inflows and outflows. The liquidity risk is controlled daily through an analysis of the Bank and its subsidiaries' mismatch, principally in the short term. In addition, simulations with estimates of portfolio index changes are performed. Concurrently, liquidity indicators from balance sheet accounts are analyzed on a monthly basis. Finally, liquidity stress testing is carried out.

Risk factors

The main risk factors of the individual and consolidated financial statements are: fixed interest rate, interest rate linked to exchange variation, interest rate linked to SELIC (Central Bank overnight rate), DI (interbank deposit rate), Libor and foreign currency exposure.

c) Sensitivity analyses

As risk management governance practice, the Bank and its subsidiaries have a continuous risk management process that involves controlling all their positions exposed to market risks.

Market risk limits are proposed by a specific Committee, within the limits established by the Board of Directors, based on the features of the transactions, which are segregated into the following portfolios:

i.1) Trading portfolio: refers to transactions with financial instruments and commodities, including derivatives, held for trading or intended to hedge other financial instruments included in the trading portfolio. Transactions held for trading are those intended for resale, obtainment of benefits from fluctuations in actual or expected prices, or used in arbitration.

i.2) Banking portfolio: refers to transactions that are not classified into the trading portfolio and that are not represented by transactions arising from the Bank's business lines.

The segregation described above relates to the way Management manages the Bank's business and the Bank's exposure to market risks, and are in conformity with the best market practices, the classification criteria set forth in BACEN Resolution 3464/07 and Circular 3354/07, and the New Capital Accord - Basel II. Thus, according to the nature of our business and in compliance with CVM Instruction 475/08, the sensitivity analysis was applied to transactions classified into the Trading portfolio as they represent exposures which would generate material impacts on the Bank's net income.

The Banking portfolio was not considered in the sensitivity analysis for the following reasons:

- The loan operations in this portfolio are in part financed by demand deposits and foreign fundraising transactions, which constitute a natural hedge for possible interest rate fluctuations;
- Interest rate fluctuations do not have a material impact on the Bank's income, as it is the Bank's intent to hold these transactions to maturity; and
- The Banking portfolio does not include derivative transactions which are all related to the Trading portfolio.

The table below shows the sensitivity analysis of the Trading portfolio as of December 31, 2009:

Financial exposures	**Scenarios**		
Risk factors	**1**	**2**	**3**
Fixed rate	(15,332)	(34,271)	(52,169)
Foreign currency	(5,007)	(23,210)	(41,412)
Domestic exchange coupon	154	201	246
Price indices	(1,485)	(1,849)	(2,209)
Variable income	(188)	(534)	(879)
Borrowings	(4,617)	(28,032)	(49,701)
Other	(178)	(403)	(621)
Total	**(26,653)**	**(88,098)**	**(146,745)**

The sensitivity analysis was conducted considering the following scenarios:

- Scenario 1: refers to the probable scenario for risk factors, and available market information (BM&FBovespa, Anbima, etc.) was used as basis for the preparation of this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 1.87; (ii) fixed interest rate - 13.00% p.a.; (iii) Ibovespa - 60,350 points; and (iv) exchange coupon - 6.90% p.a;

- Scenario 2: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 25% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 2.34; (ii) fixed interest rate - 16.25% p.a.; (iii) Ibovespa - 45,263 points; and (iv) exchange coupon - 8.63% p.a;

- Scenario 3: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 50% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 2.81; (ii) fixed interest rate - 19.50% p.a.; (iii) Ibovespa - 30,175 points; and (iv) exchange coupon - 10.35% p.a.

It is important to mention that the results shown in the previous table reflect the impacts for each scenario projected on a static position of the portfolio as of December 31, 2009. The market dynamics changes this position continually and does not necessary reflect the actual position on these financial statements' reporting date. Additionally, as mentioned above, there is a continuous management of the Trading portfolio positions to mitigate the risks associated to such portfolio, according to the strategy defined by Management and, when there are indications of deterioration of a certain position, proactive actions are taken to minimize possible adverse impacts and maximize the risk/return ratio for the Bank.

d) Hedging policy

The hedging policy is determined based on the Bank's operation risk exposure limits. Whenever its operations have risk exposures above the established limits, which might result in significant fluctuations in its income, the Bank uses derivatives, contracted in the organized or over-the-counter market to hedge against such risks, according to the hedging rules of the BACEN Circular No. 3082/02.

The hedge instruments are intended to mitigate market, exchange variation and interest risks. According to the market liquidity, the maturity dates of hedge instruments are the closest possible to the dates of the financial flows of the hedged operation, so as to assure an efficient hedge.

Should the hedged item have interim payments, either of interest or principal amortization, derivatives are also contracted with the same interim flows, either flows within the same operation or various operations having the same flows as the hedged item.

Monthly monitoring is performed to evaluate the effectiveness of derivatives to hedge against market price fluctuations. The effectiveness of each hedge is between 80% and 125%, which refers to the range established by BACEN Circular No. 3082/02.

As of December 31, 2009 and 2008 the Bank did not have derivatives for cash flow hedge.

e) Fair value

The estimated fair value of financial instruments is determined using available market information, principally prices and rates provided by the Commodities and Futures Exchange (BM&F). When applicable, mathematical models of rate interpolation for intermediate terms, and rate extrapolation for -er terms, are adopted.

The following pricing methodologies were adopted for calculating the fair value of derivatives:

- Futures transactions - quotations disclosed by the BM&FBOVESPA S.A.
- Swap agreements and non-deliverable forwards - consideration of the future cash flow, discounted to present value by future interest curves obtained from information disclosed by the BM&FBOVESPA S.A.

II. Quantitative information

Differentials receivable and payable and daily adjustments paid or received for derivatives are recorded in the respective balance sheet accounts “derivatives” and “trading account” against the corresponding statement of income accounts “derivatives” and, as of December 31, 2009 and 2008, are adjusted to fair value, and the nominal values of these transactions are recorded in memorandum accounts, as shown below:

a) Breakdown of balances recorded in balance sheet accounts under the captions “derivatives” and “trading account”

	2009		2008	
Assets (Bank and Consolidated)	Current	Long-term	Current	Long-term
Derivatives	20,797	2,140	154,472	18,140
Swaps - differential receivable	20,782	2,140	152,602	16,446
Receivable from currency forward contract	15	-	1,870	1,694
Trading account				
Futures transactions pending settlement	26	-	4,922	-
DDI	-	-	4,391	-
DI	19	-	531	-
Other payables				
Unsettled account	7	-	-	-

	2009		2008	
Liabilities (Bank)	Current	Long-term	Current	Long-term
Derivatives	5,890	19,316	19,044	1,085
Swaps - differential payable	5,876	19,316	18,543	1,085
Payable for currency forward contract	14	-	501	-
Trading account	295	-	15,581	-
Futures transactions pending settlement	295	-	15,581	-
Interest rate (DI)	290	-	95	-
Dollar futures (DOL)	4	-	502	-
Exchange coupon (DDI)	1	-	14,984	-
Liabilities (Consolidated)				
Derivatives	5,908	19,316	19,044	1,085
Swaps - differential payable	5,876	19,316	18,543	1,085
Payable for currency forward contract	32		501	-
Trading account	295	-	15,581	-
Futures transactions pending settlement	295	-	15,581	-
Interest rate (DI)	290	-	95	-
Dollar futures (DOL)	4	-	502	-
Exchange coupon (DDI)	1	-	14,984	-

b) Segregation by type of contract and counterparty

		Bank			
		2009		2008	
		Amounts		Amounts	
Contract	Type of counterparty	Receivable	(Payable)	Receivable	(Payable)
Future	BMF&BOVESPA S.A.	19	(295)	4,922	(15,581)
Swap	Financial institutions	19,413	(25,192)	169,048	(19,628)
	Legal entities	3,509	-	-	-
	Total swap operations	**22,922**	**(25,192)**	**169,048**	**(19,628)**
Forward	Financial institutions	-	(14)	-	(501)
	Individuals	-	-	31	-
	Legal entities	15	-	3,533	-
	Total forward operations	**15**	**(14)**	**3,564**	**(501)**

		Consolidated			
		2009		2008	
		Amounts		Amounts	
Contract	Type of counterparty	Receivable	(Payable)	Receivable	(Payable)
Future	BMF&BOVESPA S.A.	19	(295)	4,922	(15,581)
Swap	Financial institutions	19,413	(25,192)	169,048	(19,628)
	Legal entities	3,509	-	-	-
	Total swap operations	**22,922**	**(25,192)**	**169,048**	**(19,628)**
Forward	Financial institutions	-	(32)	-	(501)
	Individuals	-	-	31	-
	Legal entities	15	-	3,533	-
	Total forward operations	**15**	**(32)**	**3,564**	**(501)**

c) Swap contracts (Bank and Consolidated)

	2009					
	Notional value	Cost		Fair value		Net Position
		Bank	Counterparty	Bank	Counterparty	
Asset Operations						
Trading purpose						
Dollar x CDI	256,733	270,464	(259,185)	276,064	(259,493)	16,571
CDI x Dollar	64,053	65,836	(60,000)	65,946	(60,561)	5,385
Shares x CDI	11,712	12,275	(11,840)	10,798	(10,363)	435
Total	**332,498**	**348,575**	**(331,025)**	**352,808**	**(330,417)**	**22,391**
Market risk hedge						
Libor x CDI	22,783	23,234	(22,865)	23,395	(22,864)	531
Total	**22,783**	**23,234**	**(22,865)**	**23,395**	**(22,864)**	**531**
Total asset operations	355,281	371,809	(353,890)	376,203	(353,281)	22,922
Liability Operations						
Trading purpose						
CDI x Dollar	35,153	35,455	(35,548)	35,455	(35,746)	(291)
Libor x Dollar	21,913	23,054	(23,312)	23,286	(23,711)	(425)
Dollar x CDI	180,128	172,390	(186,660)	181,041	(189,750)	(8,709)
Libor x CDI	42,266	31,917	(42,980)	33,302	(43,484)	(10,182)
Total	**279,460**	**262,816**	**(288,500)**	**273,084**	**(292,691)**	**(19,607)**
Market risk hedge						
Libor x CDI	157,343	156,940	(163,461)	158,150	(163,734)	(5,585)
Total	**157,343**	**156,940**	**(163,461)**	**158,150**	**(163,734)**	**(5,585)**
Total liability operations	436,803	419,756	(451,961)	431,234	(456,425)	(25,192)

Indices	Notional value (2008)	Cost Bank	Cost Counterparty	Fair value Bank	Fair value Counterparty	Net Position
Asset Operations						
Trading purpose						
USD x CDI	287,629	397,157	(294,553)	396,842	(302,334)	94,508
Libor x CDI	11,506	14,943	(11,914)	14,870	(11,840)	3,030
CDI x USD	39,734	40,702	(39,237)	40,702	(38,030)	2,672
Total	**338,869**	**452,802**	**(345,704)**	**452,414**	**(352,204)**	**100,210**
Fair value hedge						
Libor x CDI	220,735	298,487	(230,596)	300,397	(231,559)	68,838
Total	**220,735**	**298,487**	**(230,596)**	**300,397**	**(231,559)**	**68,838**
Total asset operations	**559,604**	**751,289**	**(576,300)**	**752,811**	**(583,763)**	**169,048**
Liability Operations						
Trading purpose						
CDI x Fixed rate	112	176	(192)	177	(193)	(16)
USD x CDI	51,893	49,308	(52,388)	52,715	(53,632)	(917)
CDI x USD	139,905	160,937	(184,763)	160,621	(179,316)	(18,695)
Total	191,910	210,421	(237,343)	213,513	(233,141)	(19,628)
Total liability operations	**191,910**	**210,421**	**(237,343)**	**213,513**	**(233,141)**	**(19,628)**

d) Forward contracts

Bank

2009

Currency forward contract	Notional amount (US$ thousand)	Cost Bank	Cost Counterparty	Market value Bank	Market value Counterparty	Amounts receivable (payable)
Trading contracts						
Forward currency sale	70	189	(176)	190	(175)	15
Total asset operations	**70**	**189**	**(176)**	**190**	**(175)**	**15**
Trading contracts						
Forward currency purchase	70	189	(176)	175	(189)	(14)
Total liability operations	**70**	**189**	**(176)**	**175**	**(189)**	**(14)**

2008

Currency forward contract	Notional amount (US$ thousand)	Cost Bank	Cost Counterparty	Market value Bank	Market value Counterparty	Amounts receivable (payable)
Trading contracts						
Forward currency purchase	6,729	12,787	(15,727)	14,620	(11,590)	3,030
Forward currency sale	4,203	9,998	(9,822)	10,047	(9,513)	534
Total asset operations	**10,932**	**22,785**	**(25,549)**	**24,667**	**(21,103)**	**3,564**
Trading contracts						
Forward currency purchase	4,203	9,994	(9,822)	9,513	(10,014)	(501)
Total liability operations	**4,203**	**9,994**	**(9,822)**	**9,513**	**(10,014)**	**(501)**

Currency forward contract	Consolidated 2009 Notional amount (US$ thousand)	Cost Bank	Cost Counterparty	Market value Bank	Market value Counterparty	Amounts receivable (payable)
Trading contracts						
Forward currency sale	70	189	(176)	190	(175)	15
Total asset operations	**70**	**189**	**(176)**	**190**	**(175)**	**15**
Trading contracts						
Forward currency purchase	1,110	1,229	(1,226)	1,215	(1,247)	(32)
Total liability operations	**1,110**	**1,229**	**(1,226)**	**1,215**	**(1,247)**	**(32)**

Currency forward contract	2008 Notional amount (US$ thousand)	Cost Bank	Cost Counterparty	Market value Bank	Market value Counterparty	Amounts receivable (payable)
Trading contracts						
Forward currency purchase	6,729	12,787	(15,727)	14,620	(11,590)	3,030
Forward currency sale	4,203	9,998	(9,822)	10,047	(9,513)	534
Total asset operations	**10,932**	**22,785**	**(25,549)**	**24,667**	**(21,103)**	**3,564**
Trading contracts						
Forward currency purchase	4,203	9,994	(9,822)	9,513	(10,014)	(501)
Total liability operations	**4,203**	**9,994**	**(9,822)**	**9,513**	**(10,014)**	**(501)**

e) Future contracts (Bank and Consolidated)

Contracts	2009 Notional value Long position	Short position	Total exposure	Daily adjustments Receivable	Payable
DDI	906.229	47.087	**953.316**	19	(290)
DI	-	25.866	**25.866**	-	(4)
Dollar futures	-	1.646	**1.646**	-	(1)
Total	**906.229**	**74.599**	**980.828**	**19**	**(295)**

Contracts	2008 Notional value Long position	Short position	Total exposure	Daily adjustments Receivable	Payable
DDI	471,424	134,047	**605,471**	4,391	(14,984)
DI	529,378	21,363	**550,741**	531	(95)
Dollar futures	15,328	-	**15,328**	-	(502)
Total	**1,016,130**	**155,410**	**1,171,540**	**4,922**	**(15,581)**

f) By maturity (notional amount)

Operations	Bank 2009 Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Future	247,026	73,157	628,385	23,225	9,035	**980,828**
“Swap”	20,929	464,936	306,219	-	-	**792,084**
Currency forward	368	-	-	-	-	**368**
Total	**268,323**	**538,093**	**934,604**	**23,225**	**9,035**	**1,773,280**

Operations	2008					
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Future	476,495	81,780	572,244	28,232	12,789	**1,171,540**
"Swap"	388,168	268,170	95,176	-	-	**751,514**
Currency forward	13,025	12,768	6,575	-	-	**32,368**
Total	**877,688**	**362,718**	**673,995**	**28,232**	**12,789**	**1,955,422**

Operations	Consolidated 2009					
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Future	247,026	73,157	628,385	23,225	9,035	**980,828**
"Swap"	20,929	464,936	306,219	-	-	**792,084**
Currency forward	368	1,811	-	-	-	**2,179**
Total	**268,323**	**539,904**	**934,604**	**23,225**	**9,035**	**1,775.091**

Operations	2008					
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Future	476,495	81,780	572,244	28,232	12,789	**1,171,540**
"Swap"	388,168	268,170	95,176	-	-	**751,514**
Currency forward	13,025	12,768	6,575	-	-	**32,368**
Total	**877,688**	**362,718**	**673,995**	**28,232**	**12,789**	**1,955,422**

g) Trading location (Bank and Consolidated)

	Bank		Consolidated	
	Notional amount		Notional amount	
	2009	2008	2009	2008
Futures				
BMF&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros	980,828	1,171,540	980,828	1,171,540
Swap -				
CETIP S.A. - Balcão Organizado de Ativos e Derivativos	754,596	750,491	754,596	750,491
BMF&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros	37,488	1,023	37,488	1,023
Forward-				
CETIP S.A. - Balcão Organizado de Ativos e Derivativos	368	32,368	368	32,368
Abroad	-	-	1,811	-

h) Guarantee margins (Bank and Consolidated)

Federal government securities	2009		2008	
	Adjusted cost	Fair value	Adjusted cost	Fair value
LTN (National Treasury bills)	-	-	44,712	44,389
LTF (Treasury bills)	26,962	26,962	50,725	50,718
Total	**26,962**	**26,962**	**95,437**	**95,107**

i) Gains and losses on derivatives (Bank and Consolidated)

As December 31, 2009 and 2008 gains and losses on derivatives were recorded directly under the caption "derivatives", as shown below:

Derivatives	Bank					
	2009			2008		
	Gain	Loss	Net	Gain	Loss	Net
Swap	120,614	(296,125)	(175,511)	346,942	(215,715)	131,227
Currency forward contract	5,028	(6,423)	(1,395)	9,917	(7,510)	2,407
Futures market	427,317	(503,312)	(75,995)	631,972	(546,532)	85,440
Total	**552,959**	**(805,860)**	**(252,901)**	**988,831**	**(769,757)**	**219,074**

Derivatives	Consolidated					
	2009			2008		
	Gain	Loss	Net	Gain	Loss	Net
Swap	120,614	(296,125)	(175,511)	346,942	(215,715)	131,227
Currency forward contract	5,133	(6,546)	(1,413)	9,917	(7,510)	2,407
Futures market	427,317	(503,312)	(75,995)	631,972	(546,532)	85,440
Total	**553,064**	**(805,983)**	**(252,919)**	**988,831**	**(769,757)**	**219,074**

8. LENDING OPERATIONS

a) Breakdown of loan portfolio by type of operation

	2009			
	Bank		Consolidated	
	Current	Long-term	Current	Long-term
Loans	1,759,493	952,130	1,759,493	952,130
Discounted trade notes	171,160	38	171,160	38
Financing (*)	336,478	265,661	449,840	339,841
Rural and agroindustrial financing	4,597	300	4,597	300
Total lending operations	**2,271,728**	**1,218,129**	**2,385,090**	**1,292,309**
Other credit notes receivable (note 10.b))	7,912	11,987	7,912	11,987
Advances on foreign exchange contracts	95,025	-	95,025	-
Imports backed by credit letters (note 19.a))	22,542	-	22,542	-
Total other operations	**125,479**	**11,987**	**125,479**	**11,987**
Total	**2,397,207**	**1,230,116**	**2,510,569**	**1,304,296**

	2008			
	Bank		Consolidated	
	Current	Long-term	Current	Long-term
Loans	1,832,923	644,800	1,856,572	650,893
Discounted trade notes	155,426	173	205,473	213
Financing (*)	374,748	321,140	444,178	411,312
Rural and agroindustrial financing	8,018	264	8,018	264
Total lending operations	**2,371,115**	**966,377**	**2,514,241**	**1,062,682**
Other credit notes receivable (note 10.b))	13,755	-	13,755	-
Advances on foreign exchange contracts	112,603	-	112,603	-
Imports backed by credit letters (note 19.a))	2,179	-	2,179	-
Total other operations	**128,537**	**-**	**128,537**	**-**
Total	**2,499,652**	**966,377**	**2,642,778**	**1,062,682**

b) Breakdown of loan portfolio by risk level

	2009				2008			
	Total portfolio		Allowance		Total portfolio		Allowance	
Risk level	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
AA	114,993	244,451	-	-	175	125,808	-	-
A	1,577,239	1,600,585	7,886	8,003	983,342	1,070,960	4,918	5,074
B	1,531,272	1,540,938	15,313	15,410	2,075,848	2,086,611	20,758	20,925
C	127,917	137,052	3,837	4,111	146,652	152,964	4,399	5,727
D	54,151	57,825	5,415	5,782	70,314	73,358	7,031	8,134
E	37,370	39,653	11,211	11,896	36,745	39,140	11,023	12,799
F	36,333	37,938	18,167	18,969	21,151	22,638	10,576	12,062
G	23,099	24,535	16,169	17,174	24,104	25,016	16,873	17,785
H	124,949	131,888	124,949	131,888	107,698	108,965	107,699	108,965
Total	**3,627,323**	**3,814,865**	**202,947**	**213,233**	**3,466,029**	**3,705,460**	**183,277**	**191,471**

c) Breakdown by business sector

	2009		2008	
	Bank	Consolidated	Bank	Consolidated
Private sector:				
Industrial	1,109,733	1,109,733	660,929	693,315
Commercial	408,713	408,713	367,904	382,070
Financial	40,178	40,178		
Rural	4,897	4,897	8,282	8,282
Other services	608,857	611,040	1,062,780	1,083,841
Individuals	1,449,107	1,634,466	1,348,232	1,520,050
Public sector	5,838	5,838	17,902	17,902
Total	**3,627,323**	**3,814,865**	**3,466,029**	**3,705,460**

d) Breakdown by maturity

	2009		2008	
	Bank	Consolidated	Bank	Consolidated
Current:				
Up to 3 months	1,196,742	1,226,848	1,299,977	1,364,814
From 3 to 12 months	1,070,290	1,146,329	972,160	1,033,332
From 1 to 3 years	974,393	1,047,293	782,819	867,052
From 3 to 5 years	225,644	226,924	159,082	171,154
Over 5 years	30,079	30,079	24,476	24,476
Total	**3,497,148**	**3,677,473**	**3,238,514**	**3,460,828**
Past-due:				
Up to 60 days	34,252	38,860	100,485	112,706
From 61 to 180 days	45,320	47,076	62,919	67,393
From 181 to 360 days	48,426	49,276	62,259	62,681
Over 360 days	2,177	2,180	1,852	1,852
Total	**130,175**	**137,392**	**227,515**	**244,632**
Total	**3,627,323**	**3,814,865**	**3,466,029**	**3,705,460**

e) Concentration of credit risk

	2009			
	Bank		Consolidated	
Largest debtors	**Amount**	**% of portfolio**	**Amount**	**% of portfolio**
10 largest debtors	310,431	8.56	310,431	8.14
50 largest debtors	565,284	15.58	565,284	14.82
100 largest debtors	511,178	14.09	511,178	13.40
Other debtors	2,240,430	61.77	2,427,972	63.64
Total	**3,627,323**	**100.00**	**3,814,865**	**100.00**

Largest debtors	2008 Bank Amount	% of portfolio	2008 Consolidated Amount	% of portfolio
10 largest debtors	233,930	6.75	233,930	6.31
50 largest debtors	540,224	15.59	540,224	14.58
100 largest debtors	511,780	14.76	511,780	13.81
Other debtors	2,180,095	62.90	2,419,526	65.30
Total	**3,466,029**	**100.00**	**3,705,460**	**100.00**

9. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses for operations recorded in the individual financial statements was recognized under the criteria described in note 3.f) and is considered sufficient to cover potential losses on lending operations. The changes in the allowance as of December 31, 2009 and 2008 are as follows:

	2009	2008
Beginning balance	**183,277**	**74,529**
Allowance recognized	239,541	176,823
Write-off as loss	(219,817)	(68,075)
Ending balance	202,947	183,277
Total classified in current assets - lending operations	151,752	134,717
Total classified in current assets - other receivables (Note 10.b))	1,002	13,755
Total classified in long-term assets	50,193	34,805

10. OTHER RECEIVABLES

Other receivables are composed of the following:

a) Foreign exchange portfolio

	Bank and Consolidated 2009	2008
Exchange purchased pending settlement	94.032	138,408
Rights to foreign exchange sold	25.918	62,348
(-) Advances received in local currency	(22.181)	(2,207)
Income receivable from advances	2.727	7,178
Total	**100.496**	**205,727**

b) Other

	Bank			
	2009		2008	
	Current	Long-term	Current	Long-term
Salary advances	331	-	349	-
Prepaid expenses	8,309	-	3,257	-
Tax credits (note 20.c))	67,005	94,645	45,557	88,639
Debtors for purchase of assets (note 8.a)	6,910	11,987	-	
Escrow deposits	-	106,167	-	94,340
Recoverable taxes	89	-	41	-
Refundable payments	701	-	670	-
Credit notes receivable (note 8.a))	1,002	-	13,755	-
Receivables not featured as lending operations	29,169	-	-	
Sundry debtors	30,391	-	31,998	-
Total	**143,907**	**212,799**	**95,627**	**182,979**
(-) Allowance for loan losses (Note 9)	(1,002)	-	(13,755)	-

	Consolidated			
	2009		2008	
	Current	Long-term	Current	Long-term
Salary advances	346	-	349	-
Prepaid expenses	8,309	-	3,256	-
Tax credits (note 20.c))	67,005	94,660	45,557	88,640
Debtors for purchase of assets (note 8.a)	6,910	11,987	-	-
Escrow deposits	-	106,167	-	94,340
Recoverable taxes	1,425	-	767	-
Refundable payments	701	-	670	-
Credit notes receivable (note 8.a))	1,002	-	13,755	-
Receivables not featured as lending operations	29,169	-	-	-
Sundry debtors	30,391	-	31,998	-
Total	**145,258**	**212,814**	**96,352**	**182,980**
(-) Allowance for loan losses (Note 9)	(1,002)	-	(13,755)	-

11. OTHER ASSETS

	Bank and Consolidated[3]			
	2009		2008	
	Current	Long-term	Current	Long-term
Repossessed assets [1]	27,705	-	26,191	-
(-) Allowance for repossessed assets losses	(4,780)	-	(7,375)	-
Total repossessed assets	**22,925**	**-**	**18,816**	**-**
Prepaid expenses [2]	34,357	23,642	41,760	54,620
Total	**57,282**	**23,642**	**60,576**	**54,620**

(1) Refer to assets received as payment for loans.

(2) Refer to commissions paid in advance to correspondents (Note 3.i)).

(3) As of December 31, 2009, prepaid expenses in consolidated amount to R$58,000, of which R$34,357 and R$23,643 is recorded in current and noncurrent assets, respectively.

12. INVESTMENTS

Represented substantially by investments in subsidiaries. The principal information on these investments is as follows:

12.1. Direct subsidiaries

	ACS Participações		Daycoval Asset Management		Dayprev	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Capital	23,448	23,448	1,554	1,554	15,000	15,000
Number of shares held	101,947,448	101,947,448	14,253	14,253	14,550,000	14,550,000
Net assets	39,054	41,457	2,278	1,772	18,282	16,929
Net income (loss) for the year	(2,627)	4,806	506	17	1,369	1,465
Ownership interest %	99,99	99,99	99,99	99,99	97,00	97,00
Adjusted investment	39,050	41,456	2,278	1,772	17,733	16,421
Equity in subsidiaries for the year	(2,627)	4,806	506	17	1,328	1,421

12.2. Indirect subsidiaries

	Treetop Investment		IFP Planejamento		SCC Assessoria	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Capital	4,647	5,108	20	20	20	20
Number of shares held	2,668,585	2,668,585	20,000	20,000	20,000	20,000
Net assets	16,319	20,612	113	113	109	109
Net income for the year	970	(1,996)	-	-	-	-
Ownership interest - %	100,00	100,00	99,99	99,99	99,99	99,99
Adjusted investment	16,319	20,612	113	113	109	109
Equity in subsidiaries	970	(1,996)	-	-	-	-

13. FOREIGN BRANCH

The balances of the transactions of Banco Daycoval S.A. - Cayman Branch (foreign branch) with third parties and included in the Bank's financial statements as of December 31, 2009, are as follows:

	2009		2008	
	US$ mil	**R$ mil (*)**	**US$ mil**	**R$ mil (*)**
Assets				
Cash	163	284	17	40
Interbank investments	3,382	5,889	2,816	6,581
Securities and derivatives	25,028	43,579	1,637	3,826
Other assets	4,644	8,086	3,161	7,387
Total assets	**33,217**	**57,838**	**7,631**	**17,834**
Liabilities				
Demand deposits	26	45	-	-
Other payables	215,990	376,082	217,843	509,099
Securities	127,681	222,318	55,374	129,409
Total liabilities	**343,697**	**598,445**	**273,217**	**638,508**

(*) *The amounts in US dollars were translated into reais - R$, based on the exchange rate of R$1.7412/US$ and R$2.3370/US$, issued by BACEN for December 31, 2009 and 2008, respectively.*

14. PROPERTY AND EQUIPMENT

Description	Bank				
	2009				2008
	Annual depreciation rate - %	Cost	Accumulated depreciation	Net book value	Net book value
Facilities	10	928	(326)	602	761
Furniture and equipment	10	3,303	(1,073)	2,230	2,513
Communication equipment	10	112	(37)	75	89
Computers and peripherals	20	3,662	(1,877)	1,785	2,458
Security equipment	10	301	(123)	178	209
Vehicles	20	1,443	(1,106)	337	496
Total		**9,749**	**(4,542)**	**5,207**	**6,526**

Description	Consolidated				
	2009				2008
	Annual depreciation rate %	Cost	Accumulated depreciation	Net book value	Net book value
Buildings (*)	4	10,469	(5,577)	4,892	5,674
Facilities	10	945	(326)	619	761
Furniture and equipment	10	3,309	(1,073)	2,236	2,515
Communication equipment	10	112	(37)	75	89
Computers and peripherals	20	3,684	(1,877)	1,807	2,478
Security equipment	10	301	(123)	178	209
Vehicles	20	2,134	(1,551)	583	871
Total		**20,954**	**(10,564)**	**10,390**	**12,597**

(*) *Real estate held by the direct subsidiary is stated at cost plus revaluation at market value, which will be realized over the remaining useful life of the asset, as established by BACEN Resolution 3565/08.*

15. DEPOSITS AND MONEY MARKET FUNDING

Interbank deposits, time deposits and money market funding are traded at market rates. Their maturities are as follows:

	Bank						
	2009						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	125,075	-	-	-	-	-	125,075
Interbank deposits	-	44,439	86,847	3,343	-	-	134,629
Time deposits	-	425,068	562,059	598,291	504,567	39,201	2,129,186
Foreign currency deposits	338	-	-	-	-	-	338
Other deposits	1,617	-	-	-	-	-	1,617
Total	**127,030**	**469,507**	**648,906**	**601,634**	**504,567**	**39,201**	**2,390,845**
Money market funding	-	1,191,596	-	-	-	-	1,191,596
Total money market funding	**-**	**1,191,596**	**-**	**-**	**-**	**-**	**1,191,596**
Total deposits and money market funding	**127,030**	**1,661,103**	**648,906**	**601,634**	**504,567**	**39,201**	**3,582,441**

	2008						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	113,843	-	-	-	-	-	113,843
Interbank deposits	-	225,246	235,264	3,127	-	-	463,637
Time deposits	-	465,187	222,793	411,684	81,885	2,995	1,184,544
Other deposits	156	-	-	-	-	-	156
Total	**113,999**	**690,433**	**458,057**	**414,811**	**81,885**	**2,995**	**1,762,180**
Money market funding	-	1,290,642					1,290,642
Total money market funding	**-**	**1,290,642**	**-**	**-**	**-**	**-**	**1,290,642**
Total deposits and money market funding	**113,999**	**1,981,075**	**458,057**	**414,811**	**81,885**	**2,995**	**3,052,822**

	Consolidated						
	2009						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	122,728	-	-	-	-	-	122,728
Interbank deposits	-	44,439	86,847	3,343	-	-	134,629
Time deposits	-	424,179	561,243	597,840	500,054	39,201	2,122,517
Foreign currency deposits	338	-	-	-	-	-	338
Other deposits	1,617	-	-	-	-	-	1,617
Total	**124,683**	**468,618**	**648,090**	**601,183**	**500,054**	**39,201**	**2,381,829**
Money market funding	-	1,189,987	-	-	-	-	1,189,987
Total money market funding	**-**	**1,189,987**	**-**	**-**	**-**	**-**	**1,189,987**
Total deposits and money market funding	**124,683**	**1,658,605**	**648,090**	**601,183**	**500,054**	**39,201**	**3,571,816**

	2008						
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	113,787	-	-	-	-	-	113,787
Interbank deposits	-	225,246	235,264	3,127	-	-	463,637
Time deposits	-	465,187	218,811	410,921	81,475	2,995	1,179,389
Other deposits	156	-	-	-	-	-	156
Total	**113,943**	**690,433**	**454,075**	**414,048**	**81,475**	**2,995**	**1,756,969**
Money market funding	-	1,290,642					1,290,642
Total money market funding	**-**	**1,290,642**	**-**	**-**	**-**	**-**	**1,290,642**
Total deposits and money market funding	**113,943**	**1,981,075**	**454,075**	**414,048**	**81,475**	**2,995**	**3,047,611**

16. FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

The Bank has a global Euro Medium Term Notes (EMTN) program that was implemented on December 14, 2005, and was increased from US$300 million to US$1 billion on June 6, 2008. Funds raised total US$225 million as of December 31, 2009 and US$345 million as of December 31, 2008.

The table below shows the characteristics of these operations and respective balances in local currency:

Issue in US$	Annual interest rate	Issue date	Maturity date	2009 Bank	2009 Consolidated
(US$ thousand)				(R$ thousand)	
125,000	6.875%	06/09/2008	06/09/2010	202,822	200,200
100,000	7.250%	07/21/2008	07/21/2011	173,260	173,260
225,000				**376,082**	**373,460**
			Total current	208,645	206,023
			Total long-term	167,437	167,437

Issue in US$	Annual interest rate	Issue date	Maturity date	2008 Bank	2008 Consolidated
(US$ thousand)				(R$ thousand)	
100,000	7.250%	07/21/2008	07/21/2011	238,007	238,007
125,000	6.875%	06/09/2008	06/09/2010	271,093	271,093
120,000	7.750%	10/30/2006	10/30/2009	277,978	276,395
345,000				**787,078**	**785,495**
			Current	286,717	285,134
			Long-term	500,361	500,361

17. BORROWINGS

	Bank					
December 31, 2009	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Borrowings and Onlendings						
Foreign currency payables [1]	105,300	87,708	-	-	-	**193,008**
Foreign borrowings	84,953	172,227	160,808	17,616	-	**435,604**
Domestic onlendings						
BNDES	1,759	13,988	55,327	-	-	**71,074**
FINAME	887	4,818	12,547	7,413	4,806	**30,471**
Foreign onlendings	7,757	15,641	-	-	-	**23,398**
Total	**200,656**	**294,382**	**228,682**	**25,029**	**4,806**	**753,555**

	Bank					
December 31, 2008	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Borrowings and Onlendings						
Foreign currency payables [1]	172,631	100,009	87,272	-	-	**359,912**
Foreign borrowings	10,871	9,738	226,723	35,232	-	**282,564**
Domestic onlendings						
BNDES	-	900	2,540	-	-	**3,440**
FINAME	-	2,786	7,858	-	-	**10,644**
Foreign onlendings	10,500	31,160	32,201	-	-	**73,861**
TOTAL	**194,002**	**144,593**	**356,594**	**35,232**		**730,421**

	Consolidated					
	Up to 3 months	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
December 31, 2009						
Borrowings and Onlendings						
Domestic borrowings (2)	-	-	-	-	122,013	**122,013**
Foreign currency payables (1)	105,300	87,708	-	-	-	**193,008**
Foreign borrowings	84,953	172,227	160,808	17,616	-	**435,604**
Domestic onlendings						
BNDES	1,759	13,988	55,327	-	-	**71,074**
FINAME	887	4,818	12,547	7,413	4,806	**30,471**
Foreign onlendings	7,757	15,641	-	-	-	**23,398**
Total	**200,656**	**294,382**	**228,682**	**25,029**	**126,819**	**875,568**

	Consolidated					
	Up to 3 months	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
December 31, 2008						
Borrowings and Onlendings						
Domestic borrowings (2)	-	31,040	-	-	120,032	**151,072**
Foreign currency payables (1)	172,631	100,009	87,272	-	-	**359,912**
Foreign borrowings	10,871	9,738	226,723	35,232	-	**282,564**
Domestic onlendings						
BNDES	-	900	2,540	-	-	**3,440**
FINAME	-	2,786	7,858	-	-	**10,644**
Foreign onlendings	10,500	31,160	32,201	-	-	**73,861**
TOTAL	**194,002**	**175,633**	**356,594**	**35,232**	**120,032**	**881,493**

(1) *Refers to fundraising for foreign exchange operations related to export and import financing.*

(2) *The balance of Domestic borrowings in the financial statements refer to the amount of senior chares less the amount maintained by the Bank, which is represented by the subordinated shares in Daycoval Veículos FIDC as of December 31, 2009, and Daycoval FIDC and Daycoval Veículos FIDC as of December 31, 2008.*

The Bank has certain financial covenants related to the maintenance of certain performance, liquidity and indebtedness levels, linked to loan agreements with the International Finance Corporation - IFC and the Inter-American Investment Corporation - IIC, which, if not fulfilled, may cause the accelerated clause of the agreements between the Company and these institutions to be invoked.

18. INSURANCE OPERATIONS (CONSOLIDATED)

a) Receivables from insurance operations

Represented by receivables as of December 31, 2009 and 2008, in the amount of R$459 and R$273, respectively, relating to DPVAT (mandatory insurance against personal injury caused by automotive land vehicles) recorded under the caption “Other receivables - insurance premiums”.

b) Technical reserves

	2009	2008
Unsettled claims	5,581	2,265
Pension plan	7	7
Other reserves	110	249
Total	**5,698**	**2,521**

c) Assets guaranteeing technical reserves

	2009	2008
LFT (Treasury bills)	6,135	3,090
Assets guaranteeing technical reserves	**6,135**	**3,090**

d) Results of insurance operations

	2009	2008
Revenue from premiums and contributions	33,267	17,096
Claims expenses	(29,154)	(13,812)
Selling expenses	(904)	(1,139)
Total	**3,209**	**2,145**

19. OTHER PAYABLES

a) Foreign exchange portfolio

	Bank and Consolidated	
	2009	2008
Exchange sold pending settlement	25,959	60,584
(-) Import financing - contracted exchange rate (Note 8.a)	(22,559)	(2,179)
Foreign exchange purchased	97,600	105,955
(-) Advances on foreign exchange contracts (Note 8.a)	(92,298)	(105,437)
Unearned income on advances granted (Note 8.a)	17	12
Total	**8,719**	**58,935**

b) Social and statutory

	Bank		Consolidated	
	2009	2008	2009	2008
Dividends and bonuses payable (Note 22.e))	17,988	22,568	17,988	22,568
Profit sharing program (Note 25.1)	7,558	7,224	7,722	7,283
Total	**25,546**	**29,792**	**25,710**	**29,851**

c) Tax and social securities

	Bank			
	2009		2008	
	Current	Long-term	Current	Long-term
Income tax	68,486	-	65,639	-
Social contribution	25,121	-	21,623	-
Prepaid income tax and social contribution	(37,002)	-	(30,702)	-
Taxes payable	7,825	-	6,303	-
Deferred income tax and social contribution - (Note 20.c))	2,418	17,967	7,044	38,484
Legal obligations (Note 21.b))	-	318,104	-	225,727
Total	**66,848**	**336,071**	**69,907**	**264,211**

	Consolidated			
	2009		2008	
	Current	Long-term	Current	Long-term
Income tax	70,133	-	66,389	-
Social contribution	25,875	-	21,994	-
Prepaid income tax and social contribution	(38,469)	-	(31,559)	-
Income tax and social contribution on revaluation of assets	772	-	965	-
Taxes payable	7,913	-	6,347	-
Deferred income tax and social contribution (*) - (Note 20.c))	2,418	17,975	7,044	38,487
Legal obligations - (Note 21.b))	-	318,104	-	225,727
Total	**68,642**	**336,079**	**71,180**	**264,214**

d) Other

	Bank				Consolidated			
	2009		2008		2009		2008	
	Current	Long term	Current	Long term	Current	Long term	Current	Long term
Cashier's checks	141	-	1,202	-	141	-	1,202	-
Accrued liabilities	8,368	-	8,423	-	14,717	-	9,079	-
Reserve for contingencies (Note 21.b))	-	4,655	-	3,969	-	4,655	-	3,969
Sundry creditors(*)	53,767	-	20,589	-	48,077	-	20,593	-
Total	**62,276**	**4,655**	**30,214**	**3,969**	**62,935**	**4,655**	**30,874**	**3,969**

(*) *Sundry creditors, Bank and Consolidated, is broken down into the following main items: collections received and under processing in the amount of R$23,369 (R$10,861 in 2008): (ii) amounts received from assigned operations in the amount of R$17,646 (R$5,044 in 2008); and (iii) amounts payable related to commissions on payroll loan operations in the amount of R$6,705 (R$431 in 2008).*

20. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution were calculated as follows

	Bank		Consolidated	
	2009	2008	2009	2008
Income before income tax and social contribution, less interest on capital	172,431	149,728	174,079	157,137
Income tax and social contribution at the rates of 25% and 15%, respectively	(68,972)	(56,602)	(69,667)	(59,155)
Additions:				
Equity in subsidiaries	(946)	(1,637)	(2,746)	(3,009)
Adjustments of derivatives	(32,239)	(31,002)	(32,239)	(31,019)
Allowance for loan losses	(96,313)	(70,729)	(96,313)	(70,729)
Nondeductible expenses	(7,970)	(10,340)	(8,394)	(10,555)
Other	(12,291)	(5,595)	(12,291)	(5,603)
Deductions:				
Equity subsidiaries	1,357	3,468	1,687	6,021
Adjustments of derivatives	29,142	33,232	29,142	33,232
Losses on lending operations	72,111	37,813	72,111	37,813
Nontaxable income	5,405	2,985	5,405	3,473
Other	361	-	550	2
Tax credits on temporary differences	54,446	55,414	54,446	55,414
Current and deferred income tax and social contribution	**(55,909)**	**(42,993)**	**(58,309)**	**(44,115)**

b) Income tax and social contribution on temporary additions and deductions (assets and liabilities)

As established by Resolution No. 3059/02, amended by Resolution No. 3355/06, both of BACEN and CVM Instruction No. 371/02, deferred tax assets and liabilities ("tax credits" and "deferred taxes") arising from temporary differences must cumulatively meet the following conditions: (i) history of taxable income or profits for income tax and social contribution purposes, for at least three of the last five fiscal years, including the year at issue; and (ii) expected future taxable income or profits for income tax and social contribution purposes, for subsequent periods, based on an internal technical study showing the probability of occurrence of future tax obligations to be offset against the tax credit within a period of 10 years.

c) Deferred tax credits and deferred taxes consist of the following

	2009			
Tax credits:	2008	Recognition	Write-off	2009
Deferred income tax and social contribution on:				
Reserve for tax contingencies	44,937	21,267	(8,329)	57,875
Allowance for loan losses	41,821	108,335	(83,992)	66,164
Adjustment to fair value of securities and derivatives	33,129	17,504	(46,678)	3,955
Other temporary additions	14,309	19,731	(384)	33,656
Total tax credits on temporary differences	**134,196**	**166,837**	**(139,383)**	**161,650**
Deferred taxes:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	26,409	24,266	(45,377)	5,298
Unrealized profits on derivatives	11,340	6,289	(15,601)	2,028
Other	7,779	5,280	-	13,059
Total deferred taxes	**45,528**	**35,835**	**(60,978)**	**20,385**

Tax credits:	2007	2008 Recognition	Write-off	2008
Deferred income tax and social contribution on:				
Reserve for tax contingencies	28,312	16,625	-	44,937
Allowance for loan losses	5,062	74,573	(37,814)	41,821
Adjustment to fair value of securities and derivatives	15,725	39,180	(21,776)	33,129
Other temporary additions	2,370	11,986	(47)	14,309
Total tax credits on temporary differences	51,469	142,364	(59,637)	134,196
Deferred taxes:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	3,732	33,377	(10,700)	26,409
Unrealized profits on derivatives	13,943	9,488	(12,091)	11,340
Other	272	7,509	(2)	7,779
Total deferred taxes	17,947	50,374	(22,793)	45,528

Considering that the Provisional Act No. 413, issued on January 3, 2008 and signed into Law No. 11727 on June 23, 2008, changed the rate of the social contribution on income (CSLL) of insurance companies, as well as of capitalization companies and financial institutions, from 9% to 15% starting on May 1, 2008, the balances of deferred taxes assets and liabilities recorded beginning April 30,2008 were adjusted for the difference between the above-mentioned rates, which resulted in an increase of R$8,755 in the balance of tax credits and R$1,758 in the balance of deferred taxes.

d) Estimated realization of tax credits

	2009 Temporary differences		
Realization	**Income tax**	**Social contribution**	**Total deferred taxes**
Up to 1 year	41,878	25,127	67,005
Up to 2 years	1,196	717	1,913
Up to 3 years	362	218	580
Up to 4 years	248	148	396
Up to 5 years	72,701	19,055	91,756
Total	**116,385**	**45,265**	**161,650**

	2008 Temporary differences		
Realization	**Income tax**	**Social contribution**	**Total deferred taxes**
Up to 1 year	28,474	17,083	45,557
Up to 2 years	480	288	768
Up to 3 years	2,612	1,567	4,179
Up to 4 years	66	40	106
Up to 5 years	61,967	21,619	83,586
Total	**93,599**	**40,597**	**134,196**

The present value of tax credits as of December 31, 2009 and 2008 is R$127,598 and R$103,256, respectively, and was calculated based on expected realization of temporary differences, discounted at the average funding rate of the Bank, for related periods.

Taxable income projections consider macroeconomic assumptions, exchange and interest rates, estimates of new financial operations, among others, which may vary in relation to actual results.

21. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS (TAX AND SOCIAL SECURITY)

a) Contingent assets - in the years ended December 31, 2009 and 2008, the Bank and its subsidiaries did not recognize contingent assets.

b) Contingent liabilities classified as probable losses and legal obligations (tax and social security).

The Bank is a party to various lawsuits involving labor, civil and tax matters. Reserves are recorded based on assessments according to the criteria described in note 3.s). The Bank's management understands that the reserve recorded is sufficient to cover losses on these lawsuits.

Reserve recorded and respective changes for the years ended December 31, 2009 and 2008 are as follows:

	Bank and Consolidated	
	2009	**2008**
Reserve for tax contingencies (b,1)	318,104	225,727
Labor lawsuits (Note 19 d))	908	162
Civil lawsuits (Note 19 d))	3,747	3,807
Total	**322,759**	**229,696**

	Tax		Labor		Civil	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Balance at beginning of year	**225,637**	**153,762**	**162**	**157**	**3,807**	**1,598**
Inflation adjustment	13,632	15,777	-	-	-	-
Recognition (reversal)	78,745	56,188	746	5	(60)	2,209
Balance at end of year	**318,014**	**225,727**	**908**	**162**	**3,747**	**3,807**

b.1) The Bank is challenging in court the legality of certain taxes and the amounts involved are fully accrued and updated.

The main lawsuits are:

- Income tax: seeks deduction of social contribution amounts from the income tax basis and challenges the effect of the discontinuation of the inflation adjustment of the balance sheet;

- Social contribution tax: *(i)* challenges the effect of the discontinuation of the inflation adjustment of the balance sheet, the existence of different tax rates and seeks the recognition of interest on capital as deductible expense for 1996; and *(ii)* challenges the increase of the social contribution rate from 9% to 15%, as established by Provisional Act No. 413/08, signed into Law No. 11727 of June 23, 2008;

- COFINS (tax on revenue): challenges application of Law No. 9718/98; and

- PIS (tax on revenue): challenges application of Law No. 9718/98 and requirement by tax authorities of determination of the PIS basis in disagreement with Constitutional Amendments No. 01/94, No. 10/96 and No. 17/97.

c) Contingent liabilities classified as possible losses

These contingent liabilities, represented by civil and labor lawsuits, are not recorded. Civil lawsuits refer principally to claims for compensation for pain and suffering and property damages, with a risk estimate of R$17,162 as of December 31, 2009 and R$20,790 as of December 31, 2008. As of December 31, 2009 and 2008, the risk estimate for labor lawsuits is approximately R$2,205 and R$1,661, respectively.

d) Law No. 11.941/09 - Participation in the tax installment program and settlement of tax debts

Based on the terms and benefits offered by the tax amnesty program published by the Federal Government, subject to Law No. 11.941/09, the Directors of the Bank, supported by its legal counsel, it seemed appropriate to join the program. Thus, were filed on November 30, 2009 withdrawals of cases that questioned the difference in social contribution rate for the years ended December 31, 1997 and 1998, with subsequent application for partial conversion of their income in escrow for the Union and on the same date, formalized the applications for accession to the installments provided for in the new Law Gross profit arising from the payment already made by the partial conversion of deposits stood at R$1,605 in fiscal year 2009 and the debt to be appointed the fragmentation refers to the accounting balance recorded on the date of entry into the program, and this may change when the consolidation of debts to be held by the IRS.

There are no significant administrative proceedings in progress for noncompliance with the rules of the National Financial System or payment of fines, which might cause a material impact on the financial position of the Bank and its subsidiaries.

22. SHAREHOLDERS’ EQUITY (BANK)

a) Capital

Fully subscribed and paid-up capital of the Bank is represented by registered common and preferred shares without par value.

b) Breakdown of common and preferred shares

	Number of shares	
	2009	**2008**
Common shares	142,418,179	142,418,179
Preferred shares	73,906,333	80,215,333
(-) Treasury shares (Note 22.d.2))	(1,557,300)	(2.615.400)
Total	**214,767,212**	**220,018,112**

c) Changes in capital

	Number of shares		
	Common shares	Preferred shares	Total
Number of shares as of December 31, 2007	**142,418,179**	**80,215,333**	**222,633,512**
Share buyback in 2008 (note 22.d.2))	-	(2,615,400)	(2,615,400)
Number of shares as of December 31, 2008	**142,418,179**	**77,599,933**	**220,018,112**
Number of shares as of December 31, 2008	**142,418,179**	**77,599,933**	**220,018,112**
Share buyback in 2009 (note 22.d.2))	-	(5,250,900)	(5,250,900)
Number of shares as of December 31, 2009	**142,418,179**	**72,349,033**	**214,767,212**

d) Share buyback plan

According to the Bank's Board of Directors' meeting held on October 7, 2009, it was resolved and approved a new Share Buyback Plan, to be held in treasury and subsequently sold or cancelled, without capital reduction, using existing reserves, in conformity with Law 6404/76, CVM Instruction 10/80, and the Bank's bylaws.

d.1) Purpose, term and intermediaries of the share buyback plan

I - Purpose: up to 2.8% of outstanding registered preferred shares, represented by up to 1,557,392 preferred shares, shall be acquired for purposes of being held in treasury and subsequently sold or cancelled;

II - Term: the share buyback plan will be effective until October 6, 2010;

III - Intermediaries: these shares will be bought on the São Paulo Stock Exchange BM&FBOVESPA S.A.- Commodities and Futures Exchange, at market price and purchase will be intermediated by: (i) Ágora CVTM S.A., enrolled with the National Register of Legal Entities (CNPJ) under No. 74014747/0002-16, with headquarters at Avenida Rua Leopoldo Couto Magalhães Jr., 758, 1º andar, São Paulo; (ii) Fator S.A. Corretora de Valores, enrolled with the CNPJ under No. 63062749/0001-83, with headquarters at Rua Dr. Renato Paes de Barros nº 1017, 11º andar, São Paulo; and (iii) Itaú Corretora de Valores S.A., enrolled with the CNPJ under No. 61194353/0001-64, with headquarters at Avenida Doutor Hugo Beolchi, 900, 15° andar, São Paulo.

d.2) Treasury shares

The table below shows information on the Bank’s shares as of December 31, 2009 and 2008:

Type	Acquisition of treasury shares	Buyback trading prices minimum	average	maximum	Average market price (*)	Market value
2009						
Preferred shares	1,557,300	8.87	9.31	9.57	9.78	15,230
2008						
Preferred shares	2,615,400	3.67	6.45	15.26	5.30	13,862

(*) *Closing quotation disclosed by the BM&FBOVESPA-* Commodities and Futures Exchange, *of the Bank’s preferred shares, ticker DAYC4, based on the trading of December 31, 2009 and 2008.*

Changes in treasury shares for the years ended December 31, 2009 and 2008 are stated as follows:

	2009	2008
Opening balance	**2,615,400**	**-**
Share buyback plan	5,250,900	2,615,400
Sale or cancellation of own shares (*)	(6,309,000)	-
Balance at end of year	**1,557,300**	**2,615,400**

(*) *On October 2, 2009, the Central Bank of Brazil approved the cancellation of 6,309,000 registered preferred shares that were held in treasury, without capital reduction, as decided by the Extraordinary Shareholders' Meeting held on July 31, 2009. Said shares were acquired by the Bank under the share buyback program approved at Board of Directors’ meetings held on April 4, 2008 and April 3, 2009, the latter for the renewal of the program.*

Accordingly, capital, which was R$1,359,143, represented by 222,633,512 shares, of which 142,418,179 are common shares and 80,215,333 are preferred shares, is now represented by 216,324,512 shares, of which 142,418,179 are common shares and 73,906,333 are registered, book-entry preferred shares, without par value.

e) Interest on capital and/or dividends

According to the bylaws, the shareholders are entitled to dividends and/or interest on capital equivalent to not less than 25% of net income for the year adjusted according to Brazilian corporate law.

Interest on capital is calculated on shareholders’ equity, limited to the variation of the TJLP (long-term interest rate), contingent upon the existence of income before its deduction or retained earnings and profit reserves.

The calculation of dividends and interest on capital for the years ended December 31, 2009 and 2008 is as follows:

	2009	%(*)	2008	%(*)
Net income for the year	211,088		200,150	
(-) Legal reserve	(10,555)		(10,008)	
Adjusted calculation basis	**200,533**		**190,142**	
Gross interest on capital	94,566		93,416	
(-) Withholding income tax on interest on capital	(13,629)		(13,608)	
Net interest on capital for the year	**80,937**		**79,808**	
Net interest on capital and dividends for the year	**80,937**	**40.36%**	**79,808**	**41.97%**

(*) *Refers to the percentage corresponding to the sum of the net interest on capital and dividends and the adjusted calculation basis for each year.*

Dividends and interest on capital paid or accrued are as follows:

	2009				
	Gross amount per share		Amount paid or accrued		Amount paid or accrued
Description	**Common**	**Preferred**	**gross**	**IRRF**	**net**
Interest on capital (1)	0.11063	0.11063	24,265	(3,501)	20,764
Interest on capital (2)	0.11008	0.11008	23,850	(3,445)	20,405
Interest on capital (3)	0.11765	0.11765	25,451	(3,671)	21,780
Interest on capital (4)	0.09778	0.09778	21,000	(3,012)	17,988
Total paid or accrued in the year			**94,566**	**(13,629)**	**80,937**

	2008				
	Gross amount per share		Amount paid or accrued		Amount paid or accrued
Description	**Common**	**Preferred**	**gross**	**IRRF**	**net**
Interest on capital(5)	0.10311	0.10311	22,956	(3,329)	19,627
Interest on capital(6)	0.10916	0.10916	24,277	(3,537)	20,740
Interest on capital(7)	0.11138	0.11138	24,711	(3,610)	21,101
Interest on capital(8)	0.09759	0.09759	21,472	(3,132)	18,340
Total paid or accrued in the year			**93,416**	**(13,608)**	**79,808**

(1) The Bank's Board of Directors' meeting of March 30, 2009 ratified the payment of interest on capital, approved by the executive committee, subject to the approval of the Annual Shareholders' Meeting for the period between January 1 and March 30, 2009. The amounts were made available to shareholders on April 15, 2009.

(2) The Bank's Board of Directors' meeting of June 26, 2009 ratified the payment of interest on capital, approved by the executive committee, subject to the approval of the Annual Shareholders' Meeting for the period between March 31 and June 26, 2009. The amounts were made available to shareholders on July 15, 2009.

(3) The Bank's Board of Directors' meeting of September 30, 2009 ratified the payment of interest on capital, approved by the executive committee, subject to the approval of the Annual Shareholders' Meeting for the period between June 27 and September 30, 2009. The amounts were made available to shareholders on October 8, 2009.

(4) The Bank's Board of Directors' meeting of March 22, 2009 ratified the payment of additional interest on capital, approved by the executive committee, subject to the approval of the Annual Shareholders' Meeting. The amounts were made available to shareholders on January 15, 2010,

(5) The Bank's Board of Directors' meeting held on March 27, 2008 ratified the payment of interest on capital for the period from January 1 to March 27, 2008 approved by the executive committee, subject to the approval of the Shareholders' Meeting. The amounts were made available to shareholders on April 10, 2008.

(6) The Bank's Board of Directors' meeting held on March 27, 2008 ratified the payment of interest on capital for the period from March 28 to June 27, 2008 approved by the executive committee, subject to the approval of the Shareholders' Meeting. The amounts were made available to shareholders on July 15, 2008.

(7) The Bank's Board of Directors' meeting held on March 29, 2008 ratified the payment of interest on capital for the period from June 28 to September 29, 2008 approved by the executive committee, subject to the approval of the Shareholders' Meeting. The amounts were made available to shareholders on October 15, 2008.

(8) The Bank's Board of Directors' meeting held on March 23, 2008 ratified the payment of interest on capital for the period from September 29 to December 23, 2008 approved by the executive committee, subject to the approval of the Shareholders' Meeting. The amounts were made available to shareholders on January 15, 2009.

f) Profit reserves

	2009	2008
Revaluation reserves (1)	**1,569**	**1,991**
Profit reserves	**345,887**	**267,717**
Legal reserve(2)	30,863	20,308
Unrealized profit reserve (3)	12,409	12,409
Statutory reserves (4)	302,615	235,000
Treasury shares (Note 22.d.2))	(14,533)	(16,874)

(1) Refers to the revaluation of properties of subsidiary, which is recorded in income over the estimated useful life of the revalued asset.

(2) 5% of net income for the year must be allocated to this reserve until it equals 20% of capital, according to prevailing legislation.

(3) Partial reversal of the recorded reserve relating to the net income of the indirect subsidiary Treetop Investment Ltd.

(4) Reserve recorded according to the bylaws

23. STATEMENTS OF INCOME

a) Other administrative expenses

	Bank		Consolidated	
	2009	**2008**	**2009**	**2008**
Public utilities	786	828	786	828
Rent and insurance	7,500	6,810	7,543	6,829
Communications	2,753	3,070	2,754	3,072
Charitable contributions	1,143	1,796	1,143	1,796
Assets maintenance	549	1,596	554	1,599
Materials	632	1,529	639	1,529
Data processing	4,180	6,276	4,187	6,279
Promotion, advertising and publications	2,771	4,307	2,894	4,330
Outside technical and specialized services(1)	70,853	130,350	71,101	130,460
Depreciation and amortization	1,472	1,315	1,980	1,852
Other administrative expenses	13,463	12,247	15,856	14,072
Total	**106,102**	**170,124**	**109,437**	**172,646**

b) Other operating income

	Bank		Consolidated	
	2009	**2008**	**2009**	**2008**
Exchange variation on liabilities	346,768	74,000	346,818	81,209
Inflation adjustment of escrow deposits	7,713	7,329	7,713	7,351
Other operating income	8,717	2,965	9,288	3,258
Recovery of charges and expenses	47	463	47	462
Total	**363,245**	**84,757**	**363,866**	**92,280**

c) Other operating expenses

	Bank		Consolidated	
	2009	**2008**	**2009**	**2008**
Inflation adjustment of taxes	13,774	16,459	13,774	16,459
Exchange variation	21,195	241	27,579	2,440
Other operating expenses	12,676	17,113	12,940	17,127
Total	**47,645**	**33,813**	**54,293**	**36,026**

24. OPERATING LIMITS (BASEL ACCORD)

The Central Bank of Brazil disclosed Communications 12746/04 and 16137/07, which address the guidelines and the implementation schedules of the criteria of the New Basel Accord (Basel II). These Communications contain the recommendations of the Basel Banking Supervision Committee, contained in the document *"International Convergence of Capital Measurement and Capital Standards" (Basel II)*, which establish more appropriate criteria for the risk levels associated to financial institutions' operations for the allocation of regulatory capital.

In addition to these Communications, the National Monetary Council disclosed several regulations that establish the guidelines to calculate regulatory capital, which went into effect on July 1, 2008, such as:

- Resolution 3490/07 - Defines the Minimum Regulatory Capital (PRE);
- Circular 3360/07 - Defines the Risk-Weighted Exposure (PEPR) portion;
- Circulars 3361/07 to 3364/07, 3366/07, 3368/07, and 3389/08 - Define exposure to the Interest (PJUR-1 to PJUR-4), Share (PACS), Commodities (PCOM) and Foreign Exchange (PCAM) portions;
- Circular 3383/07 - Defines the Operational Risk Portion.

The table below shows, based on the regulations mentioned in the paragraph above, the calculation of the capital requirements and the Basel ratio:

	2009	2008
Adjusted shareholders' equity	1,692,718	1,607,228
Write-down of revaluation reserves	(1,569)	(1,991)
Write-down of valuation adjustments to available-for-sale securities	(460)	(4,919)
Tier I Regulatory Capital	**1,690,689**	**1,600,318**
Addition of revaluation reserves	1,569	1,991
Addition of valuation adjustments to available-for-sale securities	460	4,919
Tier II Regulatory Capital	**2,029**	**6,910**
Risk-weighted Regulatory Capital	**1,692,718**	**1,607,228**
Capital allocation by risk level		
Credit risk	434,758	428,630
Market risk	143,140	186,084
Operational risk	72,364	12,815
Required regulatory capital (PRE)	**650,262**	**627,529**
Basel ratio	**28.63%**	**28.17%**

As of December 31, 2009 and 2008, the Bank's shareholders' equity exceeded by 160.31% and 156.12% respectively, BACEN's required regulatory capital.

25. EMPLOYEE BENEFIT

25.1. Education Incentive Programs and Profit sharing program

As part of its strategy of being ranked among the best companies to work in Brazil, the Bank has invested in welfare and empowering programs involving university students and MBA and postgraduate programs, adhered to the federal government's Underage Apprentice initiative, and implemented its own internship programs.

The Bank has a profit sharing program for all its employees. This program is prepared together with the Union of Bank Employees and is tied to performance targets evaluated annually, using the criteria according to the Performance Assessment program.

25.2. Stock option plan

The Extraordinary Shareholders' Meeting approved on May 21, 2008 a Stock Option Plan under which the Bank will grant to its officers, employees and individuals who render services to the Bank and its subsidiaries options to purchase its shares. The stock option programs were approved by the Board of Directors on July 25, 2008 (First Plan), on December 12, 2008 (Second and Third Plan) and on September 11, 2009 (Forth Plan).

I - Purpose of the Plan

The Plan is designed primarily to: ***(i)*** boost the Bank's expansion by creating incentives for better integration of employees as shareholders of the Bank; ***(ii)*** allow the Bank to retain its professionals, granting them as additional advantage and incentive the opportunity to become shareholders of the Bank under the terms and conditions of the Plan; and ***(iii)*** foster good performance of the Bank and the interests of its shareholders by means of its executives', officers' and employees' long-term commitment.

II - Plan management and option shares

The plan will be managed by the Board of Directors and all decisions related to the Plan shall be approved by the Board.

The Options granted under the Plan cannot exceed, during the period the Plan is effective, a maximum limit of 5% of the total shares of the subscribed and paid-up capital, at any time, and the shares subject to the Options granted under the Plan will derive, as resolved by the Board of Directors: ***(i)*** from the issuance of new preferred shares, within the authorized capital limit; and/or ***(ii)*** from treasury shares.

III - Beneficiaries

Executives, officers and employees of the Bank and its direct and indirect subsidiaries, and individuals who render services to the Bank or its subsidiaries are eligible to participate in this Plan.

The beneficiaries will have no right as shareholders of the Bank (including the right to receive dividends), with respect to any shares subject to the Options, until such shares are fully subscribed/acquired and paid up by the beneficiaries.

IV - Price and vesting period

1st Program

The exercise price per share will be equivalent to the weighted average of the last 30 trading sessions immediately prior to the option exercise notice, with a discount of 30%.

The vesting period for the 1st Program is determined as follows:

Vesting period	Exercisable option percentage
At the end of the 2nd year	50%
At the end of the 3rd year	25%
At the end of the 4th year	25%

2nd Program

The exercise price per share will be R$15.00, adjusted by the variation of the IPCA (extended consumer price index) published by the IBGE (Brazilian Institute of Geography and Statistics) or one that may replace it, from the date of approval of the Program to the date of exercise of the Stock Option.

The vesting period for the 2nd Program is determined as follows:

Vesting period	Exercisable option percentage
At the end of 1st year	25%
At the end of the 2nd year	25%
At the end of the 3rd year	25%
At the end of the 4th year	25%

3rd Program

The price per share for exercising options ("Exercise Price") will be defined on the stock option grant date, adjusted by the fluctuation of the Extended Consumer Price Index disclosed by the Brazilian Institute of Geography and Statistics ("IPC-A"), or any index that replaces it, from the date the beneficiaries join the Program up to the date the stock option is exercised.

The vesting period of the 3rd stock option program is 180 days, starting on the date of adherence to the Program.

The exercise price will be adjusted taking into consideration dividends and interest on capital that may be paid.

4th Program

The exercise price per share will be equivalent to the weighted average of the last 30 trading sessions immediately prior to the option exercise notice, with a discount of 30%

The vesting period for the 4th Program is determined as follows:

Vesting Period	Exercisable option percentage
At the end of the 3rd year	50%
At the end of the 4th year	25%
At the end of the 5th year	25%

V - Options granted

Grant Number	Grant Date	Vesting date	Option expiration date	Options granted
1st Program				
1st grant	07/25/2008	07/25/2010	07/25/2018	864,290
2st grant	12/12/2008	12/12/2010	12/12/2018	42,857
3st grant	11/05/2009	11/05/2011	11/05/2019	125,001
		Total options granted under the 1st Program		**1,032,148**
3st Program				
1st grant	12/12/2008	06/12/2009	12/12/2018	303,000
		Total options granted under the 3rd Program		**303,000**
		Total options granted		**1,335,148**

Until the date of publication of these financial statements, there were no grants for the 2nd and 4th Stock Option Programs.

VI - Fair value calculation

The fair value of the stock options of the First Stock Option Program was calculated based on statistical modeling that takes into consideration all the main features of this Program, including vesting period, option exercise conditions, and price of the underlying asset.

For the years ended December 31, 2009 and 2008, the accounting effects, had thev been recognized, would negatively impact net income by R$1,760 and R$559.

26. GUARANTEES PROVIDED ON BEHALF OF THIRD PARTIES (BANK AND CONSOLIDATED)

Guarantees provided on behalf of third parties as of December 31, 2009 and 2008 amount to R$218,189 and R$313,965, respectively, are as follows:

Composition	2009	2008
Import financing	10,350	10,649
Guarantee beneficiaries	77,872	27,965
Receivables assignment co-obligations	129,967	275,351
Total guarantees and collaterals provided and third-party liability	**218,189**	**313,965**

Bank guarantees and collaterals and third-party liability are subject to financial charges and counter-guarantees provided by beneficiaries.

The table below shows guarantees provided on behalf of third parties, recorded in memorandum accounts, as of December 31, 2009 and 2008:

	Bank and Consolidated					
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
2009	45,609	77,453	56,685	35,503	2,912	**218,189**
2008	53,562	92,450	134,608	31,725	1,620	**313,965**

The Bank does not guarantee any transaction of direct and indirect subsidiaries, its directors and their family.

27. RELATED-PARTY TRANSACTIONS

a) The direct and indirect subsidiaries and the shareholders of the Bank enter into transactions with the Bank under usual market conditions. These transactions are contracted at rates consistent with those prevailing in the market on the transaction and settlement dates.

The table below shows the transactions between the Bank and its related parties as of December 31, 2009 and 2008:

	2009		2008	
Transactions	Assets (liabilities)	Income (expenses)	Assets (liabilities)	Income (expenses)
Demand deposits	**(2,608)**	**-**	**(198)**	**-**
Parent company	**(3)**	**-**	**(9)**	**-**
Daycoval Holding Financeira S.A.	(3)	-	(9)	-
Direct subsidiaries	**(2,346)**	**-**	**(56)**	**-**
ACS Participações Ltda.	(21)	-	(45)	-
Daycoval Asset Management Ltda.	(37)	-	(6)	-
Dayprev Vida e Previdência S.A.	(10)	-	(5)	-
Treetop Investiments Ltd.	(2,278)	-		
Other related parties	**(5)**	**-**	**(7)**	**-**
Daycoval Cobr. A. Serv. Ltda.	(2)	-	(2)	-
Daycoval Fomento Comercial Ltda.	(1)	-	(1)	-
Parateí Agropecuária e Imob. Ltda.	(1)	-	(4)	-
Valco Admin. Part. e Repres. Ltda.	(1)	-	-	-
Other related parties - individuals	**(254)**	-	**(126)**	**-**

Transactions	2009 Assets (liabilities)	2009 Income (expenses)	2008 Assets (liabilities)	2008 Income (expenses)
Time deposits	**(171,274)**	**(15.262)**	**(91,387)**	**(9,550)**
Controlling shareholder	**(185)**	**(5)**	**-**	**-**
Daycoval Holding Financeira S.A.	(185)	(5)	-	-
Direct Subsidiaries	**(6,668)**	**(582)**	**(5,154)**	**(591)**
ACS Participações Ltda.	(4,964)	(488)	(4,391)	(483)
Daycoval Asset Management Ltda.	(816)	(76)	(763)	(108)
Treetop Investiments Ltd.	(888)	(18)	-	-
Other related parties	**(425)**	**(43)**	**(432)**	**(50)**
Daycoval Fomento Comercial Ltda.	(375)	(37)	(373)	(42)
Parateí Agropecuária e Imob. Ltda.	(50)	(6)	(59)	(8)
Other related parties - individuals	**(163,996)**	**(14.632)**	**(85,801)**	**(8,909)**
Securities issued abroad	**(2,622)**	**(213)**	**(1,583)**	**(199)**
Direct subsidiaries	**-**	**(12)**	**(213)**	**(58)**
ACS Participações Ltda.	-	(12)	(213)	(58)
Indirect subsidiaries	**(2,622)**	**(201)**	**(1,370)**	**(141)**
Treetop Investments Ltd.	(2,622)	(201)	(1,370)	(141)
Investment fund shares (note 6.b))	**277,131**	**24,068**	**80,165**	**10,062**
Other related parties - legal entity	**277,131**	**24,068**	**80,165**	**10,062**
Daycoval FIDC	-	9,295	28,130	10,043
Daycoval Veículos FIDC	55,242	3,207	52,035	19
Daycoval Classic	221,889	11,566	-	-

The table below shows the interest rates and respective periods of transactions between the Bank and its related parties as of December 31, 2009:

Description	Interest rate	Assets (Liabilities) Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Time deposits		-	**3,180**	**4,286**	**23,693**	**139,645**	**470**	**171,274**
Controlling shareholder		-	-	-	-	**185**	-	**185**
Daycoval Holding Financeira S.A.	107% CDI	-	-	-	-	185	-	185
Direct Subsidiaries		-	-	**1,704**	**451**	**4,513**	-	**6,668**
ACS Participações Ltda.	103% CDI	-	-	-	451	4,513	-	4,964
Daycoval Asset Management Ltda.	103% CDI	-	-	816	-	-	-	816
Treetop Investment Ltd.	5% a.a.	-	-	888	-	-	-	888
Other related parties		-	-	-	-	**425**	-	**425**
Daycoval Fomento Comercial Ltda.	107% CDI	-	-	-	-	375	-	375
Parateí Agropecuária e Imob. Ltda.	103% CDI	-	-	-	-	50	-	50
Other related parties - individuals	105.5% CDI	-	**3,180**	**2,582**	**23,242**	**134,522**	**470**	**163,996**
Securities issued abroad		-	-	**2,622**	-	-	-	**2,622**
Indirect subsidiaries		-	-	**2,622**	-	-	-	**2,622**
Treetop Investments Ltd.	7.75% a.a.	-	-	2,622	-	-	-	2,622
Subordinated shares (Note 6.b))								
Other related parties - Legal entity		**221,889**	-	-	-	-	**55,242**	**277,131**
Daycoval Veículos FIDC	113% CDI	-	-	-	-	-	55,242	**55,242**
Daycoval Classic	CDI	221,889	-	-	-	-	-	**221,889**

Pursuant to Brazilian legislation, the financial institutions cannot grant loans or advances and cannot guarantee operations of their controlling shareholders, affiliates, directors or their second-degree relatives. Accordingly, the Bank does not grant loans or advances and does not guarantee any operation of its direct and indirect subsidiaries, their directors or family.

b) Compensation of key management personnel

The Annual Shareholders' Meeting sets the overall compensation of management, as established by the Bank's bylaws.

Management compensation for the years ended December 31, 2009 and 2008 was a set at a maximum amount of R$10 million.

	2009	2008
Management short-term benefits		
Fixed compensation	2,244	2,082
Total	**2,244**	**2,082**
Management long-term benefits	**Number**	**Number**
Stock options granted - note 25.2	47,620	47,620

The Bank does not grant other short- or long-term post-employment, and employment contract termination benefits to the key management personnel.

c) Ownership interest

As of December 31, 2009 and 2008, the members of the Board of Directors and the Executive Committee hold jointly the following interest in the Bank's capital:

	Percentage interest held per type of share	
	2009	**2008**
• Registered common shares - through indirect interest (Daycoval Holding Financeira S.A.)	92.16%	92.16%
• Registered preferred shares	24.59%	20.70%

28. OTHER INFORMATION

a) Third-party asset management

Daycoval Asset Management is responsible for managing third-party assets through investment funds, whose net assets as of December 31, 2009 and 2008 are R$621,869 and R$238,080, respectively.

b) Insurance coverage against operational risks

Despite the low risk exposure as a result of their assets not being physically concentrated, the Bank and its subsidiaries have insurance for their assets in amounts considered sufficient to cover potential losses.

c) Relationship with Auditors

In conformity with CVM Instruction No. 381, of January 14, 2003, we inform herein that the firm engaged to audit the financial statements and provide external audit services started in the second half of 2009 the identification of the main differences between the Brazilian accounting practices, effective as of the reporting date of this financial statements, and the international financial reporting standards (IFRS). Our policy for contracting technical and professional services of independent auditors assures that no conflict of interest exists, and independence or objectivity is not impaired.

d) Audit Committee

As required by CMN Resolution 3198/04, and with a view to adopting the industry best practices in conducting its businesses, the Bank's Board of Directors, at a meeting held on May 26, 2009, decided to establish an Audit Committee, which will be comprised of at least 3 board members. The establishment of this committee was submitted to the Central Bank of Brazil for approval.

e) Investment Agreements and issuance of share subscription bonus

The Bank signed an Investment Agreement (the "Agreement" or "transaction") with institutional investors, whereby funds of approximately R$410 million were raised in the march 2009. The following take part in the Agreement: Cartesian Capital Group, Wolfensohn Capital Partners, International Finance Corporation (IFC) and controlling shareholders, Minority shareholders could also take part in the agreement, under the same conditions as the other participants.

The primary objectives of said Agreement for the Bank include:

a) Increase liquidity and reinforce the capital structure before today's economic scenario.

b) Strengthen the Bank's fundraising basis to make it possible to expand its lending operations for the middle market segment.

c) Diversify fundraising sources and extend the average term.

The transaction has a pioneering structure, as it consists of a private offering of bonus for subscription of common and preferred shares. Only the subscription type under which the bonus underwriter opted for the share subscription in a later period was exercised.

Under this option, underwriters invested in Bank Certificates of Deposit (CDB) issued by the Bank, with the following features:

a) Average yield of 99% of DI-CETIP Over rate, as follows: 110% of DI-CETIP Over rate in the period from the investment date through March 31, 2013 and, from March 31, 2013 to March 31, 2014, yielding 55% of DI-CETIP Over rate, as calculated and disclosed by Cetip.

b) Bonuses may be early redeemed, either in part or in whole, by underwriters, exclusively for share subscription purposes, as a result of the bonus being exercised (which may occur beginning March 31, 2011) at a fixed price of R$7.75 per share.

29. CHANGES IN TAX AND CORPORATE LEGISLATIONS

a) On December 28, 2007, Law No. 11638/07 effective January 2008 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law (Law No. 6404 of December 15, 1976).

The purpose of said Law is to eliminate certain regulatory barriers that prevent the full insertion of Brazilian companies in the convergence toward the international accounting standards, increase the transparency of the financial statements as a whole, and allow the Brazilian Securities and Exchange Commission (CVM), the Central Bank of Brazil and the Accounting Policies Committee (CPC) to disclose new accounting standards and procedures consistent with international accounting standards.

The Bank and the other entities of the financial group adopted for the first time Law 11638/07 and Provisional Act 449/08 in their financial statements for the year ended December 31, 2008. The accounting practices changed by the Law, applicable to the Bank's individual and consolidated financial statements, are as follows:

- Permanent assets will include the account group "intangible assets" and will encompass rights in intangible assets maintained or used in the operation of the entity's business;

- Property and equipment will include assets resulting from transactions that transfer the benefits, risks and control of such assets, regardless of ownership transfer;

- Deferred charges will be restricted to preoperating expenses and structuring costs;

- The parameter for assessing investments in affiliates under the equity method should be applied to all affiliates where the investor has significant influence. Significant influence is defined as interest of at least 20% in the voting capital (previously the percentage was based on total capital). According to BACEN regulations, this change only went into effect on January 1, 2009 for financial institutions; however, this change cause significant changes as regards the Bank's investments (note 3.j);

- Creation of a new account group, valuation adjustments to shareholders' equity, in order to record foreign exchange rate changes on foreign when the investee's functional currency is different from the parent's functional currency, and record increases or decreases in the amount attributed to assets and liabilities, as a result of their measurement to fair value. As the functional currency of investments held by the Bank and its subsidiaries is the same of the Bank and such investments are extensions of the Bank's business, this change did not cause any adjustment;

- Requirement that certain long-term assets and liabilities be recorded at present value, and, if material, for certain other short-term assets and liabilities. As established by explanatory note to CVM Instruction 469, the purpose of this change is not to eliminate future income or charges embedded in monetary assets and liabilities, but the need to obtain their amounts when the transaction is contracted. The Bank's and its subsidiaries' transactions are already stated at their amounts at the time of their realization.

  Fixed rate asset and liability financial instruments are adjusted to present value by the existence of the accounts unearned income and unincurred expenses, which adjust these transactions to the amounts that would be obtained as if they were cash transactions, and floating rate financial instruments are realized at their cash amount and are periodically adjusted by their related rates. Accordingly, the adjustment to present value of long-term asset and liability financial instruments, and material short-term instruments, did not result in any adjustment for the Bank or its subsidiaries (note 3. v);

- Requirement for periodic analysis of the recoverability of amounts recorded in property and equipment, intangible assets and deferred charges (note 3. n).

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Banco Daycoval S.A.

Financial Statements for the Years Ended December 31, 2008 and 2007 and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

Deloitte Touche Tohmatsu
Rua Alexandre Dumas, 1981
04717-906 - São Paulo - SP
Brasil

Tel.: +55 (11) 5186-1000
Fax: +55 (11) 5181-2911
www.deloitte.com.br

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
Banco Daycoval S.A.
São Paulo - SP

1. We have audited the accompanying individual and consolidated balance sheets of Banco Daycoval S.A. (Bank), its subsidiaries and special purpose entities represented by receivables investment funds (Consolidated) as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity (Bank), cash flows, and value added for the years then ended and six-month period ended December 31, 2008, all expressed in Brazilian reais and prepared under the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Bank and Consolidated; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of Banco Daycoval S.A. and Consolidated as of December 31, 2008 and 2007, and the results of their operations, the changes in their shareholders' equity (Bank), their cash flows, and the values added in operations for the years then ended and six-month period ended December 31, 2008, in conformity with Brazilian accounting practices.

4. As mentioned in note 29, as a consequence of the changes in Brazilian accounting practices in 2008, the financial statements for the prior year, presented for comparative purposes, have been adjusted and are being restated as set forth in NPC 12 - Accounting Policies, Changes in Accounting Estimates and Errors.

5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 17, 2009

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Gilberto Bizerra de Souza
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R$)

		2008		2007	
ASSETS	Note	Bank	Consolidated	Bank	Consolidated
CURRENT ASSETS		5,072,853	5,219,130	4,768,180	4,980,703
Cash		45,557	45,785	49,417	49,589
Interbank investments	5	1,801,367	1,801,367	1,994,360	1,994,360
Money market investments		1,784,687	1,784,687	1,925,353	1,925,353
Interbank deposits		10,100	10,100	56,599	56,599
Foreign currency investments		6,580	6,580	12,408	12,408
Securities and derivatives	6 and 7.II.a)	623,365	633,285	134,910	164,394
Own portfolio		201,945	209,927	75,242	104,726
Linked to repurchase commitments		193,233	193,233	29,867	29,867
Derivatives		154,472	154,472	19,280	19,280
Linked to guarantees		73,715	73,715	10,521	10,521
Reserves guarantee funds		-	1,938	-	-
Interbank accounts		12,901	12,901	73,816	73,816
Restricted deposits-					
Central Bank of Brazil		2,949	2,949	67,359	67,359
Correspondents		9,952	9,952	6,457	6,457
Lending operations		2,236,398	2,371,330	2,240,315	2,422,579
Lending operations - public sector	8	12,847	12,847	18,397	18,397
Lending operations - private sector	8	2,358,268	2,501,394	2,281,547	2,467,125
(Allowance for loan losses)	9	(134,717)	(142,911)	(59,629)	(62,943)
Other receivables		292,689	293,886	217,590	218,193
Foreign exchange portfolio	10.a)	205,727	205,727	205,272	205,272
Income receivable		168	367	166	234
Insurance premiums receivable	18.a)	-	273	-	-
Trading account	7.II.a)	4,922	4,922	3,945	3,945
Other	10.b)	95,627	96,352	8,207	8,742
(Allowance for other loan losses)	10.b)	(13,755)	(13,755)	-	-
Other assets	11	60,576	60,576	57,772	57,772
Repossessed assets		26,191	26,191	4,363	4,363
(Allowance for repossessed assets losses)		(7,375)	(7,375)	-	-
Prepaid expenses		41,760	41,760	53,409	53,409
NONCURRENT ASSETS		1,542,331	1,598,789	1,598,726	1,562,919
Securities and derivatives	6 and 7.II.a)	373,160	333,312	623,371	585,440
Own portfolio		74,399	33,399	149,547	111,616
Linked to repurchase commitments		254,206	254,206	409,002	409,002
Derivatives		18,140	18,140	2,522	2,522
Linked to guarantees		26,415	26,415	62,300	62,300
Reserves guarantee funds		-	1,152	-	-
Lending operations		931,572	1,027,877	807,638	809,760
Lending operations - public sector	8	5,055	5,055	684	684
Lending operations - private sector	8	961,322	1,057,627	821,854	823,976
(Allowance for loan losses)	9	(34,805)	(34,805)	(14,900)	(14,900)
Other receivables		182,979	182,980	109,517	109,519
Escrow deposits		94,340	94,340	63,370	63,370
Other	10.b)	88,639	88,640	46,147	46,149
Other assets	11	54,620	54,620	58,200	58,200
Prepaid expenses		54,620	54,620	58,200	58,200
PERMANENT ASSETS		66,497	13,064	59,489	13,026
Investments		59,872	356	53,847	514
Investments in domestic subsidiaries	12	59,649	133	53,335	-
Other investments		223	223	512	514
Property and equipment	14	6,526	12,597	5,500	12,357
Real estate		-	10,875	-	11,175
Other		9,870	10,683	8,110	8,801
(Accumulated depreciation)		(3,344)	(8,961)	(2,610)	(7,619)
Intangible assets		99	111	142	155
Intangible assets		339	351	338	442
(Accumulated amortization)		(240)	(240)	(196)	(287)
TOTAL ASSETS		6,681,681	6,830,983	6,426,395	6,556,648

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2007
(In thousands of Brazilian reais - R$)

		2008		2007	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Bank	Consolidated	Bank	Consolidated
CURRENT LIABILITIES		3,405,752	3,435,684	3,790,502	3,926,264
Deposits	15	1,262,489	1,258,451	1,834,230	1,834,198
Demand deposits		113,843	113,787	190,672	190,640
Interbank deposits		460,510	460,510	226,411	226,411
Time deposits		687,980	683,998	1,417,140	1,417,140
Other deposits		156	156	7	7
Money market funding	15	1,290,642	1,290,642	1,514,396	1,514,396
Own portfolio		440,430	440,430	432,173	432,173
Third parties		850,212	850,212	1,082,223	1,082,223
Funds from acceptance and issuance of securities	16	286,717	285,134	3,295	3,277
Securities issued abroad		286,717	285,134	3,295	3,277
Interbank accounts		494	494	1,341	1,341
Receipts and payments pending settlement		494	494	1,341	1,341
Interbranch accounts		2,665	2,665	15,028	15,028
Third-party funds in transit		2,665	2,665	15,028	15,028
Borrowings and onlendings	17	338,595	369,635	209,976	344,274
Domestic borrowings		-	31,040	-	134,298
Foreign borrowings		293,249	293,249	209,976	209,976
Domestic onlendings					
BNDES		900	900	-	-
FINAME		2,786	2,786	-	-
Foreign onlendings		41,660	41,660	-	-
Derivatives	7.II.a)	19,044	19,044	2,567	2,567
Derivatives		19,044	19,044	2,567	2,567
Technical reserves - insurance	18.b)	-	2,521	-	-
Other payables		205,106	207,098	209,669	211,183
Collected taxes and other		677	677	710	710
Foreign exchange portfolio	19.a)	58,935	58,935	68,551	68,551
Social and statutory	19.b)	29,792	29,851	46,076	46,148
Tax and social security	19.c)	69,907	71,180	64,677	65,847
Trading account	7.II.a)	15,581	15,581	1,217	1,217
Other	19.d)	30,214	30,874	28,438	28,710
LONG-TERM LIABILITIES		1,661,143	1,780,005	1,107,006	1,101,033
Deposits	15	499,691	498,518	502,393	497,660
Interbank deposits		3,127	3,127	6,737	6,737
Time deposits		496,564	495,391	495,656	490,923
Funds from acceptance and issuance of securities	16	500,361	500,361	212,556	211,316
Securities issued abroad		500,361	500,361	212,556	211,316
Borrowings and onlendings	17	391,826	511,858	220,844	220,844
Domestic borrowings		-	120,032	-	-
Foreign borrowings		349,227	349,227	220,844	220,844
Domestic onlendings				-	-
BNDES		2,540	2,540	-	-
FINAME		7,858	7,858	-	-
Foreign onlendings		32,201	32,201	-	-
Derivatives	7.II.a)	1,085	1,085	133	133
Derivatives		1,085	1,085	133	133
Other payables		268,180	268,183	171,080	171,080
Tax and social security	19.c)	264,211	264,214	169,325	169,325
Other	19.d)	3,969	3,969	1,755	1,755
DEFERRED INCOME		7,558	7,558	11,394	11,394
Deferred income		7,558	7,558	11,394	11,394
MINORITY INTEREST		-	508	-	464
SHAREHOLDERS' EQUITY	22	1,607,228	1,607,228	1,517,493	1,517,493
Capital-					
Brazilian residents		1,359,143	1,359,143	1,359,143	1,359,143
Capital reserve		170	170	54	54
Revaluation reserve		1,991	1,991	2,071	2,071
Profit reserves		267,717	267,717	160,838	160,838
Adjustment to fair value - securities and derivatives		(4,919)	(4,919)	(4,613)	(4,613)
Retained earnings		(16,874)	(16,874)	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,681,681	6,830,983	6,426,395	6,556,648

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2008
(In thousands of Brazilian reais - R$, except earnings per share)

		2nd Half of 2008		2008		2007	
	Note	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
INCOME FROM FINANCIAL INTERMEDIATION		1,081,208	1,103,763	1,616,278	1,650,443	760,071	775,622
Lending operations		597,222	623,390	1,031,753	1,073,824	592,882	617,512
Securities transactions		137,102	133,509	275,156	267,249	214,306	205,240
Derivatives	7.II.h)	259,973	259,973	219,074	219,074	(68,202)	(68,202)
Foreign exchange transactions		83,559	83,539	82,764	82,765	18,524	18,511
Compulsory investments		3,352	3,352	7,531	7,531	2,561	2,561
EXPENSES ON FINANCIAL INTERMEDIATION		(855,366)	(876,283)	(1,150,518)	(1,181,738)	(373,462)	(385,373)
Funding operations		(540,378)	(540,044)	(762,804)	(762,088)	(301,598)	(300,962)
Borrowings and onlendings		(195,742)	(216,993)	(210,891)	(242,827)	(11,013)	(23,560)
Allowance for loan losses	9	(119,246)	(119,246)	(176,823)	(176,823)	(60,851)	(60,851)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		225,842	227,480	465,760	468,705	386,609	390,249
OTHER OPERATING INCOME (EXPENSES)		(124,956)	(125,656)	(190,488)	(191,951)	(114,350)	(117,466)
Income from services provided		15,232	15,790	25,096	26,190	12,713	13,470
Income from transactions insurance	18.d)	-	831	-	2,145	-	-
Income from bank rates		-	-	-	-	-	-
Personnel expenses		(36,867)	(37,209)	(70,303)	(70,995)	(52,077)	(52,762)
Other administrative expenses	23.a)	(92,836)	(93,927)	(170,124)	(172,646)	(109,070)	(110,072)
Tax expenses		(12,904)	(13,093)	(32,345)	(32,899)	(28,275)	(28,508)
Equity in subsidiaries		7,768	-	6,244	-	(408)	-
Other operating income	23.b)	8,510	15,948	84,757	92,280	76,818	78,756
Other operating expenses	23.c)	(13,859)	(13,996)	(33,813)	(36,026)	(14,051)	(18,350)
INCOME FROM OPERATIONS		100,886	101,824	275,272	276,754	272,259	272,783
NONOPERATING EXPENSES		(14,302)	(14,284)	(14,922)	(14,904)	(487)	(581)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		86,584	87,540	260,350	261,850	271,772	272,202
INCOME TAX AND SOCIAL CONTRIBUTION		(9,249)	(9,969)	(42,993)	(44,115)	(51,430)	(51,666)
Provision for income tax	20.a)	(19,537)	(20,011)	(65,639)	(66,389)	(62,208)	(62,376)
Provision for social contribution	20.a)	(14,000)	(14,246)	(32,768)	(33,140)	(20,686)	(20,754)
Deferred taxes	20.c)	24,288	24,288	55,414	55,414	31,464	31,464
PROFIT SHARING	25.1	(9,829)	(10,043)	(17,207)	(17,541)	(14,325)	(14,511)
MINORITY INTEREST		-	(22)	-	(44)	-	(8)
NET INCOME		67,506	67,506	200,150	200,150	206,017	206,017
NUMBER OF SHARES	22.b)	220,018,112	220,018,112	220,018,112	220,018,112	222,633,512	222,633,512
Earnings per share at end of year/six-month period - R$		0.31	0.31	0.91	0.91	0.93	0.93

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2008
(In thousands of Brazilian reais - R$)

					Profit reserves			Adjustment to fair value - securities and derivatives			
	Capital	Capital increase	Capital reserve	Revaluation reserve	Legal reserve	Unrealized profit reserve	By-laws reserve		Treasury shares	Retained earnings	Total
BALANCES AS OF DECEMBER 31, 2006	179,905	8,656	453	2,199	20,573	11,679	-	5,049	-	209,253	437,767
Capital increase											
Approval	-	-	-	-	-	-	-	-	-	-	-
Capital increase	1,179,238	(8,656)	(453)	-	(20,573)	-	-	-	-	(209,253)	940,303
Adjustment to fair value of securities and derivatives	-	-	-	-	-	-	-	(9,662)	-	-	(9,662)
Share buyback	-	-	-	-	-	-	-	-	-	-	-
Adjustment of stock exchange memberships	-	-	54	-	-	-	-	-	-	-	54
Realization of revaluation reserve	-	-	-	(195)	-	-	-	-	-	195	-
Income tax and social contribution on subsidiary's revaluation	-	-	-	67	-	-	-	-	-	-	67
Net income	-	-	-	-	-	-	-	-	-	206,017	206,017
Allocations-											
Legal reserve	-	-	-	-	10,301	-	-	-	-	(10,301)	-
Unrealized profit reserve	-	-	-	-	-	730	-	-	-	(730)	-
By-laws reserve	-	-	-	-	-	-	138,128	-	-	(138,128)	-
Dividends	-	-	-	-	-	-	-	-	-	(1,262)	(1,262)
Interest on capital	-	-	-	-	-	-	-	-	-	(55,791)	(55,791)
BALANCES AS OF DECEMBER 31, 2007	1,359,143	-	54	2,071	10,301	12,409	138,128	(4,613)	-	-	1,517,493
BALANCES AS OF DECEMBER 31, 2007	1,359,143	-	54	2,071	10,301	12,409	138,128	(4,613)	-	-	1,517,493
Capital increase											
Approval	-	-	-	-	-	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-	-
Adjustment to fair value of securities and derivatives	-	-	-	-	-	-	-	(306)	-	-	(306)
Share buyback	-	-	-	-	-	-	-	-	(16,874)	-	(16,874)
Adjustment of stock exchange memberships	-	-	116	-	-	-	-	-	-	-	116
Realization of revaluation reserve	-	-	-	(145)	-	-	-	-	-	145	-
Income tax and social contribution on subsidiary's revaluation	-	-	-	65	-	-	-	-	-	-	65
Net income	-	-	-	-	-	-	-	-	-	200,150	200,150
Allocations-											
Legal reserve	-	-	-	-	10,007	-	-	-	-	(10,007)	-
Unrealized profit reserve	-	-	-	-	-	-	-	-	-	-	-
By-laws reserve	-	-	-	-	-	-	96,872	-	-	(96,872)	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
Interest on capital	-	-	-	-	-	-	-	-	-	(93,416)	(93,416)
BALANCES AS OF DECEMBER 31, 2008	1,359,143	-	170	1,991	20,308	12,409	235,000	(4,919)	(16,874)	-	1,607,228

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2008
(In thousands of Brazilian reais - R$)

					Profit reserves						
	Capital	Capital increase	Capital reserve	Revaluation reserve	Legal reserve	Unrealized profit reserve	By-laws reserve	Adjustment to fair value - securities and derivatives	Treasury shares	Retained earnings	Total
BALANCES AS OF JUNE 30, 2008	1,359,143	-	170	1,995	16,933	12,409	138,128	(7,207)	(3,044)	78,875	1,597,402
Capital increase											
Approval	-	-	-	-	-	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-	-	-	-	-	-
Adjustment to fair value of securities and derivatives	-	-	-	-	-	-	-	2,288	-	-	2,288
Share buyback	-	-	-	-	-	-	-	-	(13,830)	-	(13,830)
Adjustment of stock exchange memberships	-	-	-	-	-	-	-	-	-	-	-
Realization of revaluation reserve	-	-	-	(49)	-	-	-	-	-	49	-
Income tax and social contribution on subsidiary's revaluation	-	-	-	45	-	-	-	-	-	-	45
Net income	-	-	-	-	-	-	-	-	-	67,506	67,506
Allocations-											
Legal reserve	-	-	-	-	3,375	-	-	-	-	(3,375)	-
Unrealized profit reserve	-	-	-	-	-	-	-	-	-	-	-
By-laws reserve	-	-	-	-	-	-	96,872	-	-	(96,872)	-
Dividends	-	-	-	-	-	-	-	-	-	-	-
Interest on capital	-	-	-	-	-	-	-	-	-	(46,183)	(46,183)
BALANCES AS OF DECEMBER 31, 2008	1,359,143	-	170	1,991	20,308	12,409	235,000	(4,919)	(16,874)	-	1,607,228

The accompanying notes are an integral part of these financial statements.

BANCO DAYCOVAL S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2008
(In thousands of Brazilian reais - R$)

	2nd Half of 2008		2008		2007	
	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income	67,506	67,506	200,150	200,150	206,017	206,017
Adjustments to reconcile net income to net cash provided by (used in) operating activities						
Adjustment to fair value of securities and derivatives	2,288	2,288	(306)	(306)	(9,662)	(9,662)
Adjustment of stock exchange memberships	-	-	116	116	54	54
Depreciation and amortization	703	969	1,315	1,852	1,000	1,601
Income tax and social contribution on revaluation reserve	45	45	65	65	67	67
Deferred tax	(24,288)	(24,288)	(55,414)	(55,414)	(31,464)	(31,464)
Reserve for tax contingencies	27,416	27,416	74,179	74,179	40,181	40,181
Allowance for loan losses	105,491	105,491	163,068	163,068	60,851	60,851
Allowance for other loan losses	13,755	13,755	13,755	13,755	-	-
Allowance for other asset losses	7,375	7,375	7,375	7,375	-	-
Equity in subsidiaries and affiliates	(7,768)	-	(6,244)	-	408	-
TOTAL RECONCILIATION ADJUSTMENTS	125,017	133,051	197,909	204,690	61,435	61,628
Adjusted net income	192,523	200,557	398,059	404,840	267,452	267,645
Changes in assets and liabililties	91,002	82,817	(91,647)	(98,605)	(810,046)	(802,924)
Increase in securities and derivatives	(118,292)	(90,643)	(61,930)	(40,449)	(303,325)	(244,064)
Decrease (increase) in interbank and interbranch investments	91,822	91,822	47,705	47,705	(57,512)	(57,512)
Decrease (increase) in lending operations	777,067	688,502	(283,085)	(329,936)	(1,624,829)	(1,754,298)
Increase in other receivables	(17,050)	(17,330)	(79,322)	(79,912)	(164,039)	(164,262)
Decrease (increase) in other assets	39,976	39,976	(6,599)	(6,599)	(115,638)	(115,638)
Decrease (increase) in deposits	(1,193,829)	(1,194,046)	(574,443)	(574,889)	982,659	983,284
Decrease (increase) in money market funding	(80,186)	(80,186)	8,257	8,257	152,121	152,121
Increase (decrease) in funds from acceptance and issuance of securities	393,351	392,898	571,227	570,902	(184,108)	(183,850)
Increase in borrowing and onlendings	215,709	269,415	299,601	316,375	367,428	443,879
Increase (decrease) in other payables	(8,616)	(8,641)	(9,222)	(6,223)	127,795	128,014
Increase (decrease) in deferred income	(8,950)	(8,950)	(3,836)	(3,836)	9,402	9,402
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	283,525	283,374	306,412	306,235	(542,594)	(535,279)
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposal of property and equipment	33	435	125	435	-	137
Disposal of investments	-	-	409	409	22,325	651
Acquisition of investments	-	-	(116)	(116)	(14,812)	(235)
Acquisition of property and equipment	(1,028)	(1,068)	(2,497)	(2,574)	(2,768)	(3,450)
Deferred charges	-		-	-	(58)	(58)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(995)	(633)	(2,079)	(1,846)	4,687	(2,955)
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest on capital/dividends paid and/or accrued	(46,183)	(46,183)	(93,416)	(93,416)	(57,053)	(57,053)
Capital increase	-	-	-	-	940,303	940,303
Share buyback	(13,830)	(13,830)	(16,874)	(16,874)	-	-
Change in minority interest	-	-	-	-	-	457
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(60,013)	(60,013)	(110,290)	(110,290)	883,250	883,707
NET INCREASE IN CASH AND CASH EQUIVALENTS	222,517	222,728	194,043	194,099	345,343	345,473
Cash and cash equivalents at beginning of year/six-month period	941,825	941,842	970,299	970,471	624,956	624,998
Cash and cash equivalents at end of year/six-month period	1,164,342	1,164,570	1,164,342	1,164,570	970,299	970,471
NET INCREASE IN CASH AND CASH EQUIVALENTS	222,517	222,728	194,043	194,099	345,343	345,473

The accompanying notes are an integral part of these financial statements.

BANCO DAYCOVAL S.A.

STATEMENTS OF ADDED VALUE
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2008
(In thousands of Brazilian reais - R$)

	2nd Half of 2008		2008		2007	
	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
INCOME	966,754	998,580	1,516,440	1,559,831	782,255	798,028
Income from financial intermediation	1,081,208	1,103,763	1,616,278	1,650,443	760,071	775,622
Income from services provided	15,232	15,790	25,096	26,190	12,713	13,470
Allowance for loan losses	(119,246)	(119,246)	(176,823)	(176,823)	(60,851)	(60,851)
Other	(10,440)	(1,727)	51,889	60,021	70,322	69,787
EXPENSES	(736,120)	(757,037)	(973,695)	(1,004,915)	(312,611)	(324,522)
Expenses on financial intermediation	(736,120)	(757,037)	(973,695)	(1,004,915)	(312,611)	(324,522)
INPUTS ACQUIRED FROM THIRD PARTIES	(88,628)	(90,004)	(161,972)	(164,598)	(100,305)	(102,626)
Materials, electric power and other	(13,715)	(14,451)	(23,429)	(25,257)	(16,024)	(18,405)
Outside services	(75,102)	(75,179)	(139,137)	(139,276)	(86,731)	(86,838)
Recovery (loss) of assets	189	(374)	594	(65)	2,450	2,617
GROSS VALUE ADDED	142,006	151,539	380,773	390,318	369,339	370,880
DEPRECIATION AND AMORTIZATION	(703)	(969)	(1,315)	(1,852)	(1,000)	(1,601)
NET VALUE ADDED GENERATED BY THE BANK / CONSOLIDATED	141,303	150,570	379,458	388,466	368,339	369,279
VALUE ADDED RECEIVED IN TRANSFER	7,768	-	6,244	-	(408)	-
Equity in subsidiaries and affiliates	7,768	-	6,244	-	(408)	-
TOTAL VALUE ADDED FOR DISTRIBUTION	149,071	150,570	385,702	388,466	367,931	369,279
WEALTH DISTRIBUTED	149,071	150,570	385,702	388,466	367,931	369,279
EMPLOYEES	40,603	41,092	75,760	76,655	57,153	57,889
Direct compensation	23,893	24,143	45,306	45,815	32,592	33,086
Benefits	15,240	15,460	27,353	27,699	22,056	22,259
Severance pay fund (FGTS)	1,470	1,489	3,101	3,141	2,505	2,544
TAXES AND CONTRIBUTIONS	37,645	38,621	103,547	105,354	99,449	100,053
Federal	36,268	37,229	101,173	102,923	97,930	98,483
State	222	222	526	542	205	224
Municipal	1,155	1,170	1,848	1,889	1,314	1,346
THIRD PARTIES	3,317	3,329	6,245	6,263	5,312	5,312
Rentals	3,317	3,329	6,245	6,263	5,312	5,312
SHAREHOLDERS	67,506	67,528	200,150	200,194	206,017	206,025
Dividends	-	-	-	-	1,262	1,262
Interest on capital paid	46,183	46,183	93,416	93,416	55,791	55,791
Retained earnings for the 2nd half of 2008/year	21,323	21,323	106,734	106,734	148,964	148,964
Minority interest	-	22	-	44	-	8

The accompanying notes are an integral part of these financial statements.

1. OPERATIONS

Banco Daycoval S.A. (the “Bank”) is a multiple service bank authorized to operate commercial, foreign exchange, investment, credit and financing portfolios and, through its direct and indirect subsidiaries, is active in third-party asset management and provision of services. The Daycoval Conglomerate’s companies conduct business on an integrated basis.

The resolutions passed by the Extraordinary Shareholders’ Meeting on May 4, 2007 are as follows: (i) first-time offering on the São Paulo Stock Exchange (BOVESPA) of Banco Daycoval’s shares and listing of shares on the BOVESPA’s Level 1 segment of differentiated corporate governance practices; (ii) authorization for Banco Daycoval, its directors and other management members to perform all acts required by the Regulations of Differentiated Corporate Governance Practices Level 1 or necessary to abide by the practices, including, but not limited to, entering into the agreement for adoption of Differentiated Corporate Governance Practices Level 1; (iii) Confidentiality and Significant Information Disclosure Policy effective upon the publicly-traded company registration with the Brazilian Securities Commission (CVM) on June 26, 2007; (iv) establishing a Board of Directors of Banco Daycoval; and (v) appointment of an Investor Relations Director.

The trading of shares under code DAYC4 started on June 29, 2007, marking a new stage of operations of Banco Daycoval in the Brazilian financial market. The sale of 55,082,712 registered preferred shares without voting rights and par value in connection with the Initial Public Offering resulted in proceeds of R$936,406, which were used in capital increase.

On July 11, 2007, the Lead Underwriter of the Primary and Secondary Public Offering of Preferred Shares fully exercised the option granted by the Sellers to purchase overallotment shares of up to 15% of the initially offered shares, totaling 8,382,151 shares, all be-ing to the Sellers (“Overallotment”), according to article 24 of CVM Instruction No. 400, to meet the excess demand verified during the Offering (“Overallotment Option”).

On January 21, 2008, as published in the Federal Official Gazette, the Central Bank of Brazil authorized the Bank to establish a foreign branch in Grand Cayman, Cayman Islands and, on May 28, 2008, capital was contributed to start the operations of Banco Daycoval S.A. - Cayman Branch.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Bank's financial statements, including its foreign branch, and the consolidated financial statements ("Consolidated") have been prepared in accordance with the accounting criteria set forth by Brazilian Corporate Law- Law 6404/76, the changes introduced by Law 11638/07 and Provisional Act 449/08 are being adopted for the first time for the recording of transactions for the year ended December 31, 2008, together with, when applicable, the standards and instructions of the National Monetary Council (CMN), the Central Bank of Brazil (BACEN), and the Standard Chart of Accounts for Financial Institutions (COSIF), the Brazilian Securities and Exchange Commission (CVM), the Private Insurance Authority (SUSEP), and the Accounting Pronouncements Committee (CPC). The effects of the first-time adoption of the changes introduced by Law 11638/07 and Provisional Act 449/08 are described in Note 29.

In the consolidated financial statements, the balances and transactions between the Bank, its foreign branch, its direct and indirect subsidiaries and special purpose entities, represented by the receivables investment fund, have been eliminated. Net income and shareholders' equity amounts related to minority interests were disclosed in a separate caption. The financial statements of the foreign branch and indirect subsidiary had the accounting criteria adjusted to the Brazilian accounting practices and translated into Brazilian reais.

The consolidated financial statements for the years ended December 31, 2008 and 2007 include the accounts of the Bank, its foreign branch, and the following direct and indirect subsidiaries and special purpose entities:

	Ownership Interest %	
	2008	**2007**
Financial activity - Foreign branch		
Banco Daycoval S.A. - Cayman Branch *(1)*	100.00	-
Insurance and pension plan activity		
Dayprev Vida e Previdência S.A. ("Dayprev")	97.00	97.00
Non-financial activity		
ACS Participações Ltda. ("ACS")	99.99	99.99
Daycoval Asset Management Administração de Recursos Ltda.	99.99	99.99
Treetop Investments Ltd. ("Treetop")	99.99	99.99
IFP Planejamento e Consultoria em Informática Ltda. ("IFP")	99.99	99.99
SCC Assessoria em Cadastro e Cobrança Ltda. ("SCC")	99.99	99.99
Special Purpose Entities - SPE		
Daycoval Fundo de Investimento em Direitos Creditórios ("Daycoval FIDC") *(2)*	100.00	100.00
Daycoval Veicúlos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC") *(2)(3)*	100.00	-

(1) *Start-up on May 28, 2008.*

(2) *The ownership percentage refers to the total subordinated shares held by the Bank in Daycoval FIDC and Daycoval Veículos FIDC.*

(3) *Start-up on August 11, 2008.*

Securities recorded in subsidiaries, except for those related to the financial, insurance and pension plan activities, are stated at acquisition cost plus accrued interest and monetary and exchange variations. When the fair value of these securities is lower than carrying value, an allowance is recorded for adjusting them to realizable value.

In the consolidation of Daycoval FIDC and Daycoval Veículos FIDC, the balances of the receivables portfolio and the allowance for loan losses were incorporated into the Bank's loan portfolio, with recording of the financing under the caption "Borrowings and onlendings - domestic borrowings", net of investments in investment fund shares represented by subordinated shares held by the Bank in Daycoval FIDC and Daycoval Veículos FIDC.

Additionally, income from Daycoval FIDC and Daycoval Veículos FIDC receivables was recorded under the caption "Lending operations" in the statement of income, and the cost of financing, related to senior shares, was recorded under the caption "Borrowings and Onlendings". The income earned by the Bank from appreciation of its shares in Daycoval FIDC and Daycoval Veículos FIDC, which was originally recorded under the caption "Securities transactions", was reclassified to the caption "Lending operations", in order to present fairly the operation in the consolidated financial statements.

As provided for by CVM/SNC-SEP Circular Letter No. 01/07, of February 14, 2007, the Bank's Management added the balances of receivables and allowance for loan losses to the consolidated financial statements for the years ended December 31, 2008 and 2007, as it considers that the control (receiving, onlending and collection) of receivables assigned to Daycoval FIDC and Daycoval Veículos FIDC is under its responsibility, which in substance represents the provision of guarantees to Fund investors in relation to the receiving of these receivables.

The following is the main information on Daycoval FIDC and Daycoval Veículos FIDC, pursuant to CVM Instruction No. 408/05.

a) Characteristics of FIDCs

~~Daycoval FIDC:~~

Daycoval FIDC is managed by Intrag Distribuidora de Títulos e Valores Mobiliários Ltda. and was established as a closed-end fund available to qualified investors according to prevailing regulation. Daycoval FIDC started operations on September 13, 2006, for a term of 3 years from the first payment of 1st series senior shares of the Fund.

~~Daycoval Veículos FIDC:~~

Daycoval Veículos FIDC is managed by *Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A.* and was established as a closed-end fund available to qualified investors according to prevailing regulation. Daycoval Veículos FIDC started operations on August 11, 2008, for a term of 10 years from the first payment of 1st series senior shares of the Fund.

b) Name, type, purpose and activities of Daycoval FIDC and Daycoval Veículos FIDC:

The purpose of Daycoval FIDC is to provide its investors with the appreciation of its shares by investing money principally in the acquisition of receivables from the financial industry, entered into by the Bank (Assignor) and its customers. These receivables arise from: *(i)* discounted notes and bank loan notes (CCB) transactions for Daycoval FIDC; and *(ii)* vehicles financing for Daycoval Veículos FIDC.

The Fund will seek to achieve, but will not guarantee, yield equivalent to 106% and 113% of the DI (interbank deposit rate), respectively for Daycoval FIDC and Daycoval Veículos FIDC. This benchmark applies to senior shares and there is no preestablished benchmark for subordinated shares.

c) Share of Daycoval FIDC's net assets and profits

According to article 24, item XV, of CVM Instruction 356, as amended by CVM Instruction 393, FIDCs should maintain a minimum ratio between the senior shares' value and FIDCs' net equity. This ratio shall be daily determined and monthly reported to the Fund's investors

The table below shows minimum ratios between senior and subordinated share's value to FIDC's net equity:

	% to FIDC's net equity	
	Daycoval FIDC[(1)]	**Daycoval veículos FIDC[(2)]**
Senior shares	80.00	77.00
Subordinated shares	20.00	23.00

[(1)] *Pursuant to Article 36 of Fund Regulation;*

[(2)] *Pursuant to Article 11.12 of Fund Regulation.*

d) Nature of Bank's involvement with Daycoval FIDC and Daycoval Veículos FIDC, and type of exposure to loss, if any, arising from this involvement

It is solely the responsibility of the Assignor (Bank) to ensure that the receivables satisfy assignment conditions, without affecting the assignee's (Daycoval FIDC and Daycoval Veículos FIDC) right to do so, directly or by means of third parties.

e) Amount and nature of receivables and payables between the Bank and receivables funds, assets transferred by the Bank and rights of use of Daycoval FIDC's assets

In the years ended December 31, 2008 and 2007, the Bank assigned to Daycoval FIDC, without co-obligation, R$606,728 and R$727,076, respectively, relating to lending operations.

From August 11 (start-up of operations) to December 31, 2008, the Bank assigned to Daycoval Veículos FIDC, without co-obligation, R$186,686 relating to vehicle financing operations.

No income on the assignment of receivables to FIDCs has been recorded by the Bank.

Additionally, as investments in FIDC subordinated shares were maintained, the Bank recognized the effect of variation in these shares under the "Securities transactions" caption, as shown below:

	2008	**2007**
Daycoval FIDC	10,043	12,064
Daycoval Veículos FIDC[1]	19	-

[1] *Start-up on August 11, 2008.*

f) The balance sheets of Daycoval FIDC and Daycoval Veículos FIDC as of December 31, 2008 and 2007 were as follows:

Daycoval FIDC

Assets	**2008**	**2007**	**Liabilities**	**2008**	**2007**
Cash	8	5	Other payables	54	203
Federal government securities	42,620	15,667			
Lending operations	59,170	184,386			
Receivables	66,492	187,700			
(-) Allowance for losses	(7,322)	(3,314)			
			Net assets	105,861	204,757
Other receivables	4,116	4,901	Senior shares	77,731	154,669
Other assets	1	1	Subordinated shares	28,130	50,088
Total assets	**105,915**	**204,960**	**Total liabilities**	**105,915**	**204,960**

Daycoval Veículos FIDC*(1)*

Assets	**2008**	**Liabilities**	**2008**
Cash	19	Derivatives	6,722
Interbank investments	14,226	Other payables	42
Federal government securities	18,789		
Lending operations	171,953		
Receivables	172,938		
(-) Allowance for losses	(985)		
		Net assets	198,338
Other receivables	114	Senior shares	146,303
Other assets	1	Subordinated shares	52,035
Total assets	**205,102**	**Total liabilities**	**205,102**

[1] *Start-up on August 11, 2008.*

g) Guarantees, sureties, mortgages or other collateral in favor of Daycoval FIDC and Daycoval Veículos FIDC

   The Bank has provided no guarantee, surety, mortgage or other collateral in favor of Daycoval FIDC, Daycoval Veículos FIDC or its investors.

h) Identification of the principal beneficiary or group of principal beneficiaries of FIDC's activities

   The Bank holds all subordinated shares of Daycoval FIDC and Daycoval Veículos FIDC, the senior shares are held by qualified investors.

3. SIGNIFICANT ACCOUNTING PRACTICES

Significant accounting practices applied in the preparation of the financial statements are as follows:

a) Income and expenses are recorded on the accrual basis. Operations with fixed rates are stated at redemption amount, and income and expenses for future periods are reported as a reduction of the related assets and liabilities. Financial income and expenses are calculated under the exponential method, except when resulting from foreign operations, which are calculated under the straight-line method. Operations with floating rates or indexed to foreign currencies are adjusted through the balance sheet date.

b) Interbank investments and other receivables, except securities and derivatives, are stated at cost, plus monetary and exchange variations and interest earned. When fair value is lower than carrying amount, an allowance is recorded to adjust the asset to realizable value.

c) Under BACEN Resolution 3604/08, cash and cash equivalents are represented by cash and deposits in financial institutions, recorded under the captions "Cash", "interbank investments", and "securities" classified in the trading portfolio, with maturities of up to 90 days, and the change in their fair value is considered immaterial.

d) Securities are stated at cost plus income earned, as detailed below: (i) fixed-income securities are adjusted at the applicable interest rate through their maturities; (ii) shares are adjusted based on the average price informed by the Stock Exchange which trades more shares; and (iii) investments in investment funds adjusted based on the share value informed by the fund managers.

Securities can be classified in conformity with BACEN Circular No. 3068/2001 into one of the following three categories:

- Trading securities - securities bought and held principally for the purpose of selling them in the near term and reported at fair value, with unrealized gains and losses included in income for the period.

- Available-for-sale securities - securities not classified as either trading securities or held-to-maturity securities. Unrealized gains and losses are reported in a separate component of shareholders' equity, net of taxes, and are included in income for the year when realized.

- Held-to-maturity securities - securities that the enterprise has the positive intent and ability to hold to maturity and stated at cost, plus income earned, included in income for the period.

Bonuses resulting from investments in shares of publicly-traded companies are recorded in securities portfolio only according to the respective number, without modifying the value of investments, when the corresponding shares are considered ex-rights on the stock exchange.

Dividends and interest on capital from investments in publicly-traded companies are recorded as income when related shares are considered ex-rights on the stock exchange.

e) Derivatives consist of option, forward, futures and swap transactions and are reported in conformity with BACEN Circular No. 3082/02, as described below:

- Option transactions - premiums received or paid are recorded at fair value under the caption "derivatives" in assets or liabilities, respectively, until the exercise of the option, and reported as a decrease or increase in the cost of the asset for the exercise of the option or as income or expense in the event of non-exercise.

- Futures transactions - daily adjustments are recorded at fair value under the caption "Trading account" in assets or liabilities and allocated daily to income or expense.

- Currency swap transactions - differential receivable or payable is recorded at fair value under the caption "Derivatives" in assets or liabilities, respectively, and allocated to income or expense.

- Forward transactions - are recorded at final contract value, less the difference between that value and the cash price of the asset, with recognition of income and expenses over the contract periods.

Derivative transactions are stated at fair value as of the balance sheet date, with gains and losses reported as described below:

- Derivatives that not qualify as hedge - in income or expense in the statement of income.

- Derivatives that qualify as hedge - classified as market risk value or cash flow hedges.

Market risk hedges are intended to offset the movement in the fair value of the hedged item, with gains or losses included in income or expenses in the statement of income.

Cash flow hedges are intended to offset the change in estimated future cash flows, with gains or losses, net of taxes, included in a separate component of shareholders' equity, with any other change included in income or expense in the statement of income.

f) Lending operations are classified based on Management's risk assessment, considering the past experience with prior borrowers and guarantors, economic scenario, and specific and overall portfolio risks, pursuant to CMN Resolution No. 2682/99 ratified by the BACEN, which requires a periodic analysis of the portfolio and its classification into nine rating levels from AA (minimum risk) to H (maximum risk - loss).

Income from lending operations past-due for more than 60 days, regardless of the risk level, is only recognized when actually received. H-rated loans remain as such for six months and, thereafter, are written off against the existing allowance and remain controlled in a memorandum account not shown on the balance sheet.

g) Foreign exchange transactions are stated at realizable values, plus income and exchange variations earned on a pro rata daily basis.

h) Insurance premiums are recorded in income when the respective insurance policies and invoices are issued and deferred on a straight-line basis, over the insurance policy effective term, i.e., within the risk coverage period, by recording and reversing the unearned premium reserve and deferred selling expenses.

i) Prepaid expenses related to commissions paid to third are controlled by contract and accounted for under the caption “Prepaid expenses”. This expense is recognized in the statement of income according to the period of the related agreements and recorded under the caption “Other administrative expenses”.

j) Investments in subsidiaries are accounted for under the equity method.

k) Other investments are stated at cost, less allowance for loss, when applicable.

l) Property and equipment are stated at acquisition cost, except for real estate held by the subsidiary, which is recorded at acquisition cost plus revaluation at market value. Depreciation is calculated under the straight-line method at the annual rates stated in note 14, based on the economic useful lives of the assets.

m) Intangible assets correspond to rights acquired in intangible assets that are maintained or used in the operations of the Bank and its subsidiaries or exercised for such purpose; intangible assets with finite lives are amortized on a straight-line basis over the estimated period they will generate economic benefits.

n) The impairment of non-monetary assets is recognized when the carrying amount of an asset or a cash generating unit is higher than its recoverable or realizable value. A cash generating unit is the smallest identifiable group of assets which generates cash flows substantially independent from other assets and groups of assets. Impairment losses are recorded in the statement of income for the period when they are recognized, when applicable.

   As from the year ended December 31, 2008, the amounts of non-monetary items, except those recorded under the captions “Other assets” and “Other receivables - tax credits”, are periodically, at least annually, tested for impairment.

o) Known or estimated liabilities, payables and contingencies, including tax charges calculated based on income for the period, include interest and exchange rate change or inflation adjustment accrued through the balance sheet date. Liabilities in foreign currency are translated into local currency at the exchange rates in effect on the balance sheet date, as informed by BACEN, and liabilities subject to indexation are inflation adjusted through the balance sheet date. Hedged liabilities are adjusted to fair value.

p) The provision for income tax is recorded at the rate of 15%, plus a 10% surtax when applicable. Beginning May 1, 2008, the provision for social contribution is calculated at the rate of 15%, as established by Provisional Act No. 413, of January 3, 2008, signed into Law No. 11727 on June 23, 2008. On April 30, 2008, the social contribution rate is 9%.

q) Income tax and social contribution credits are recognized on temporary additions and deductions and based on legislation in effect at the date of recognition. These tax credits will be realized when the amounts on which they were recognized are utilized or reversed.

r) Technical reserves - insurance - calculated in accordance with the technical notes approved by SUSEP and the criteria established by CNSP Resolution No. 162 of December 26, 2006 and subsequent changes introduced by CNSP Resolution No. 181 of December 19, 2007.

r.1) Insurance

- Reserve for unsettled claims - is recorded, based on notices of claims, in an amount sufficient to cover future commitments under legal disputes, where the amount is determined by experts and legal counsel that perform the assessments based on insured amount and technical regulations, taking into account the likelihood of unfavorable outcome to the insurance company.

- Reserve for incurred but not reported losses (IBNR) - recorded to cover insured losses that have occurred but have not been reported.

s) Contingent assets and liabilities and legal, tax and social security obligations

Contingent assets and liabilities and legal obligations are determined, recognized and disclosed in conformity with the criteria set forth in CVM Resolution No. 489/2005 and IBRACON Interpretation No. 02/2006, as described below:

- Contingent assets are not recorded in the financial statements, except when there is evidence that they will be realized and are not subject to appeals.

- Contingent liabilities are recorded in the financial statements when the risk of loss on an administrative or judicial proceeding is assessed by the legal counsel and Management as probable, with probable outflow of funds to settle obligations, and when the amounts involved can be reliably measured. Contingent liabilities classified as possible loss by the legal counsel are only disclosed in notes to the financial statements. Those classified as remote loss do not require provision and disclosure.

- Legal obligations (tax and social security) refer to lawsuits challenging the legality and constitutionality of certain taxes. The amount under litigation is determined, accrued and adjusted monthly.

t) Earnings per share are calculated based on the number of shares at the balance sheet dates.

u) Uses of estimates - The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and other transactions, such as: (i) depreciation rates of property and equipment, (ii) amortization of intangible assets, and (iii) reserves for contingencies. Actual results could differ from those estimates.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	Bank		**Consolidated**	
Type	**2008**	**2007**	**2008**	**2007**
Cash	45,557	49,417	45,785	49,589
Interbank investments(*)	951,155	912,137	951,155	912,137
Securities	167,630	8,745	167,630	8,745
Total Cash and Cash Equivalents	**1,164,342**	**970,299**	**1,164,570**	**970,471**

(*) *Interbank investments included in cash and cash equivalents are stated net of the amount recorded under the caption "Money market investments - third parties funding" which as of December 31, 2008 and 2007 total R$850,212 and R$1,082,223, respectively, both in Bank and Consolidated.*

5. INTERBANK INVESTMENTS

Interbank investments are as follows:

	Bank and consolidated			
	2008		**2007**	
Type	**Maturity**	**Amount**	**Maturity**	**Amount**
Money market investments	Up to 1 business day	1,784,687	Up to 1 business day	1,925,353
Interbank deposits	Up to November 2009	10,100	Up to December 2008	56,599
Foreign currencies	Up to January 2009	6,580	Up to 2 business days	12,408
Total		**1,801,367**		**1,994,360**

6. SECURITIES

a) By category and type

	Bank			
	2008		2007	
Available-for-sale securities	Adjusted cost	Fair value (*)	Adjusted cost	Fair value (*)
Own portfolio	**277,319**	**276,344**	**224,491**	**224,789**
National Treasury bills (LTN)	167,672	167,686	82,402	82,016
Treasury bills (LFT)	14,245	14,241	61,282	61,301
National Treasury notes (NTN)	3,875	3,873	23,530	23,640
Foreign fixed-income securities	4,216	3,826	-	-
Bank certificates of deposit (CDBs)	5,269	5,269	4,034	4,033
Investment fund shares	80,165	80,165	50,088	50,088
Shares of publicly-traded companies	1,877	1,284	3,155	3,711
Held under repurchase agreements	**453,135**	**447,439**	**446,118**	**438,869**
National Treasury bills (LTN)	158,363	159,529	277,534	273,937
Treasury bills (LFT)	153,963	153,938	71,451	71,474
National Treasury notes (NTN)	140,809	133,972	97,133	93,458
Linked to guarantees	**100,470**	**100,130**	**72,856**	**72,821**
National Treasury bills (LTN)	45,808	45,477	14,492	14,434
Treasury bills (LFT)	54,662	54,653	58,364	58,387
Total	**830,924**	**823,913**	**743,465**	**736,479**

	Consolidated			
	2008		2007	
Available-for-sale securities	Adjusted cost	Fair value (*)	Adjusted cost	Fair value (*)
Own portfolio	**244,298**	**243,326**	**216,048**	**216,342**
National Treasury bills (LTN)	176,316	176,338	97,953	97,563
Treasury bills (LFT)	21,856	21,847	61,282	61,301
National Treasury notes (NTN)	3,875	3,873	23,530	23,640
Foreign fixed-income securities	27,114	26,724	18,342	18,342
Bank certificates of deposit (CDBs)	5,269	5,269	4,034	4,033
Investment fund shares	7,800	7,800	7,460	7,460
Shares of publicly-traded companies	2,068	1,475	3,447	4,003
Held under repurchase agreements	**453,135**	**447,439**	**446,118**	**438,869**
National Treasury bills (LTN)	158,363	159,529	277,534	273,937
Treasury bills (LFT)	153,963	153,938	71,451	71,474
National Treasury notes (NTN)	140,809	133,972	97,133	93,458
Linked to guarantees	**100,470**	**100,130**	**72,856**	**72,821**
National Treasury bills (LTN)	45,808	45,477	14,492	14,434
Treasury bills (LFT)	54,662	54,653	58,364	58,387
Assets guaranteeing technical reserves	**3,088**	**3,090**	**-**	**-**
Treasury bills (LFT)	3,088	3,090	-	-
Total	**800,991**	**793,985**	**735,022**	**728,032**

(*) The fair value of securities is obtained through the prices and rates prevailing as of December 31, 2008 and 2007 as disclosed by ANDIMA (National Association of Financial Market Institutions), investment fund managers, the São Paulo Stock Exchange (BOVESPA), and others in the case of securities acquired abroad.

b) Breakdown by maturity

Bank

2008

	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**167,630**	**271,849**	**152,371**	**10,419**	**131,100**	**733,369**
National Treasury bills (LTN)	-	167,630	132,874	72,188	-	-	372,692
Treasury bills (LFT)	-	-	138,975	39,299	10,419	34,139	222,832
National Treasury notes (NTN)	-	-	-	40,884	-	96,961	137,845
Securities issued abroad	**-**	**-**	**-**	**3,826**	**-**	**-**	**3,826**
Securities of financial institutions							
Eurobonds and others	-	-	-	3,826	-	-	3,826
Private-sector securities	**1,284**			**5,269**	**-**	**-**	**6,553**
Bank Certificates of Deposit (CDBs)	-	-	-	5,269	-	-	5,269
Shares of publicly-traded companies	1,284	-	-	-	-	-	1,284
Investment fund shares	**-**	**-**	**28,130**	**-**	**-**	**52,035**	**80,165**
Receivables fund	-	-	28,130	-	-	52,035	80,165
Total	**1,284**	**167,630**	**299,979**	**161,466**	**10,419**	**183,135**	**823,913**

2007

	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**8,745**	**99,141**	**453,663**	**23,640**	**93,458**	**678,647**
National Treasury bills (LTN)	-	8,745	93,915	267,727	-	-	370,387
Treasury bills (LFT)	-	-	5,226	185,936	-	-	191,162
National Treasury notes (NTN)	-	-	-	-	23,640	93,458	117,098
Private-sector securities	**3,711**	**4,033**	**-**	**-**	**-**	**-**	**7,744**
Bank Certificates of Deposit (CDBs)	-	4,033	-	-	-	-	4,033
Shares of publicly-traded companies	3,711	-	-	-	-	-	3,711
Investment fund shares	**-**	**-**	**-**	**50,088**	**-**	**-**	**50,088**
Receivables fund	-	-	-	50,088	-	-	50,088
Total	**3,711**	**12,778**	**99,141**	**503,751**	**23,640**	**93,458**	**736,479**

Consolidated

2008

	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**168,197**	**281,867**	**161,134**	**10,419**	**131,100**	**752,717**
National Treasury bills (LTN)	-	167,630	141,520	72,194	-	-	381,344
Treasury bills (LFT)	-	567	140,347	48,056	10,419	34,139	233,528
National Treasury notes (NTN)	-	-	-	40,884	-	96,961	137,845
Securities issued abroad	**14,745**	**2,951**	**1,778**	**4,982**	**2,226**	**42**	**26,724**
Shares	729	-	-	-	-	-	729
Time deposits	-	1,289	-	-	-	-	1,289
Investment funds	14,016	-	-	-	-	-	14,016
Securities of companies							
Eurobonds and others	-	1,662	1,778	4,982	2,226	42	10,690
Private-sector securities	**1,475**	**-**	**-**	**5,269**	**-**	**-**	**6,744**
Bank Certificates of Deposit (CDBs)	-	-	-	5,269	-	-	5,269
Shares of publicly-traded companies	1,475	-	-	-	-	-	1,475
Investment fund shares	**7,800**	**-**	**-**	**-**	**-**	**-**	**7,800**
Fixed-income funds	7,800	-	-	-	-	-	7,800
Total	**24,020**	**171,148**	**283,645**	**171,385**	**12,645**	**131,142**	**793,985**

2007

	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**8,745**	**106,192**	**462,159**	**23,640**	**93,458**	**694,194**
National Treasury bills (LTN)	-	8,745	100,966	276,223	-	-	385,934
Treasury bills (LFT)	-	-	5,226	185,936	-	-	191,162
National Treasury notes (NTN)	-	-	-	-	23,640	93,458	117,098
Securities issued abroad	**12,999**	**1,000**	**682**	**1,346**	**354**	**1,961**	**18,342**
Shares	907	-	-	-	-	-	907
Investment funds	12,092	-	-	-	-	-	12,092
Bank Certificates of Deposit (CDBs)	-	907	-	-	-	744	1,651
Securities of countries Brazil	-	62	-	-	-	151	213
Securities of companies							
Eurobonds and others	-	31	682	1,346	354	1,066	3,479
Private-sector securities	**4,003**	**4,033**	**-**	**-**	**-**	**-**	**8,036**
Bank Certificates of Deposit (CDBs)	-	4,033	-	-	-	-	4,033
Shares of publicly-traded companies	4,003	-	-	-	-	-	4,003
Investment fund shares	**7,460**	**-**	**-**	**-**	**-**	**-**	**7,460**
Fixed-income funds	7,460	-	-	-	-	-	7,460
Total	**24,462**	**13,778**	**106,874**	**463,505**	**23,994**	**95,419**	**728,032**

7. DERIVATIVES

I. Qualitative information

The Bank conducts operations involving derivative financial instruments recorded in balance sheet and memorandum accounts to meet its own and customers' needs. The other companies included in the consolidated financial statements did not enter into derivative transactions in the years ended December 31, 2008 and 2007.

Derivatives used are properly approved under the product use policy. Pursuant to this policy, prior to the implementation of each product all aspects should be analyzed, such as: objectives, forms of use, risks involved and adequate operational support infrastructure.

The components of credit and market risks involved in derivatives are monitored daily. Specific limits are set for derivative transactions, customers and custodians. Such limits are managed by a system that consolidates exposures by counterparty. Any deviations are promptly indicated and addressed for immediate solution.

The market risk of derivatives is managed by a prevailing risk policy, pursuant to which potential risks of price fluctuations in the financial markets are centralized in the Treasury department, which provides hedge for the other areas.

a) Derivatives:

The main derivatives used are swaps, dollar futures (DOL), fixed rate (DI) and exchange coupon (DDI), and non-deliverable forwards. BACEN Circular No. 3082/02 permitted a specific accounting in the cases derivatives are used to hedge against changes in fair value or cash flow.

b) Risk management:

~~Market risk~~

The Bank uses value at risk (V@R) to measure the market risk of all products and markets, providing a basis for risk comparison of various portfolios. The Bank uses the parametric V@R model for a ten-days time horizon at the 99% confidence level. At the close of the day, said method is applied to the outstanding operations base. The Risk Management department manager analyzes and approves daily the calculated figures.

The reports containing the results are made available on the Bank's intranet for authorized persons. The accuracy of the V@R model is determined through backtesting that consists of comparing the actual results to estimates generated from the V@R model.

To measure the possible effects of unexpected market movements, which are not predicted by V@R, the Bank uses scenario analysis techniques. The models include projected scenario analyses and stress testing, whose ultimate objective is to assure that the Bank and the companies included in the consolidated financial statements have capacity to respond to extreme market conditions.

~~Liquidity risk~~

Liquidity risk is related to the mismatching of assets and liabilities in relation to dates for inflows and outflows. The liquidity risk is controlled daily through an analysis of the Bank and its subsidiaries' mismatch, principally in the short term. In addition, simulations with estimates of portfolio index changes are performed. Concurrently, liquidity indicators from balance sheet accounts are analyzed on a monthly basis. Finally, liquidity stress testing is carried out.

~~Risk factors~~

The main risk factors of the individual and consolidated financial statements are: fixed interest rate, interest rate linked to exchange variation, interest rate linked to SELIC (Central Bank overnight rate), DI (interbank deposit rate), Libor and foreign currency exposure.

c) Sensitivity analyses

As risk management governance practice, the Bank and its subsidiaries have a continuous risk management process that involves controlling all their positions exposed to market risks.

Market risk limits are proposed by a specific Committee, within the limits established by the Board of Directors, based on the features of the transactions, which are segregated into the following portfolios:

i.1) Trading portfolio: refers to transactions with financial instruments and commodities, including derivatives, held for trading or intended to hedge other financial instruments included in the trading portfolio. Transactions held for trading are those intended for resale, obtainment of benefits from fluctuations in actual or expected prices, or used in arbitration.

i.2) Banking portfolio: refers to transactions that are not classified into the trading portfolio and that are not represented by transactions arising from the Bank's business lines.

The segregation described above relates to the way Management manages the Bank's business and the Bank's exposure to market risks, and are in conformity with the best market practices, the classification criteria set forth in BACEN Resolution 3464/07 and Circular 3354/07, and the New Capital Accord - Basel II. Thus, according to the nature of our business and in compliance with CVM Instruction 475/08, the sensitivity analysis was applied to transactions classified into the Trading portfolio as they represent exposures which would generate material impacts on the Bank's net income.

The Banking portfolio was not considered in the sensitivity analysis for the following reasons:

- The loan operations in this portfolio are in part financed by demand deposits and foreign fundraising transactions, which constitute a natural hedge for possible interest rate fluctuations;
- Interest rate fluctuations do not have a material impact on the Bank's income, as it is the Bank's intent to hold these transactions to maturity; and
- The Banking portfolio does not include derivative transactions which are all classified into the Trading portfolio.

The table below shows the sensitivity analysis of the Trading portfolio as of December 31, 2008:

Financial exposures	Scenarios		
Risk factors	**1**	**2**	**3**
Fixed rate	19	(11,685)	(31,552)
Foreign currency	35	(89,103)	(178,206)
Domestic exchange coupon	(466)	(84,387)	(168,774)
Price indices	8	(10,708)	(20,248)
Variable income	(67)	(1,652)	(1,983)
Other	232	(285)	(558)
Total uncorrelated	**(241)**	**(197,820)**	**(401,321)**
Total correlated	**(256)**	**100,297**	**211,998**

The sensitivity analysis was conducted considering the following scenarios:

- Scenario 1: refers to the probable scenario for risk factors, and available market information (BM&FBovespa, Andima, etc.) was used as basis for the preparation of this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 2.3350; (ii) fixed interest rate - 12.15% p.a.; and Extended Consumer Price Index (IPCA) - 4.96% p.a.;

- Scenario 2: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 25% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 2.9187; (ii) fixed interest rate - 15.19% p.a.; and Extended Consumer Price Index (IPCA) - 6.20% p.a.;

- Scenario 3: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 50% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 3.5025; (ii) fixed interest rate - 18.23% p.a.; and Extended Consumer Price Index (IPCA) - 7.44% p.a.;

It is important to mention that the results shown in the previous table reflect the impacts for each scenario projected on a static position of the portfolio as of December 31, 2008. The market dynamics changes this position continually and does not necessary reflect the actual position on these financial statements' reporting date. Additionally, as mentioned above, there is a continuous management of the Trading portfolio positions to mitigate the risks associated to such portfolio, according to the strategy defined by Management and, when there are indications of deterioration of a certain position, proactive actions are taken to minimize possible adverse impacts and maximize the risk/return ratio for the Bank.

d) Hedging policy:

The hedging policy is determined based on the Bank's operation risk exposure limits. Whenever its operations have risk exposures above the established limits, which might result in significant fluctuations in its income, the Bank uses derivatives, contracted in the organized or over-the-counter market to hedge against such risks, according to the hedging rules of the BACEN Circular No. 3082/02.

The hedge instruments are intended to mitigate market, exchange variation and interest risks. According to the market liquidity, the maturity dates of hedge instruments are the closest possible to the dates of the financial flows of the hedged operation, so as to assure an efficient hedge.

Should the hedged item have interim payments, either of interest or principal amortization, derivatives are also contracted with the same interim flows, either flows within the same operation or various operations having the same flows as the hedged item.

Monthly monitoring is performed to evaluate the effectiveness of derivatives to hedge against market price fluctuations. The effectiveness of each hedge is between 80% and 125%, which refers to the range established by BACEN Circular No. 3082/02.

As of December 31, 2008 and 2007 the Bank did not have derivatives for cash flow hedge.

e) Fair value:

The estimated fair value of financial instruments is determined using available market information, principally prices and rates provided by the Commodities and Futures Exchange (BM&F). When applicable, mathematical models of rate interpolation for intermediate terms, and rate extrapolation for -er terms, are adopted.

The following pricing methodologies were adopted for calculating the fair value of derivatives:

- Futures transactions - quotations disclosed by the BM&F.

- Swap agreements and non-deliverable forwards - consideration of the future cash flow, discounted to present value by future interest curves obtained from information disclosed by the BM&F.

II. Quantitative information

Differentials receivable and payable and daily adjustments paid or received for derivatives are recorded in the respective balance sheet accounts “derivatives” and “trading account” against the corresponding statement of income accounts “derivatives” and, as of December 31, 2008 and 2007, are adjusted to fair value, and the nominal values of these transactions are recorded in memorandum accounts, as shown below:

a) Breakdown of balances recorded in balance sheet accounts under the captions “derivatives” and “trading account” (Bank and Consolidated):

	2008		2007	
Assets	**Current**	**Long-term**	**Current**	**Long-term**
Derivatives	**154,472**	**18,140**	**19,280**	**2,522**
Swaps - differential receivable	152,602	16,446	19,010	1,924
Receivable from currency forward contract	1,870	1,694	270	598
Trading account				
Futures transactions pending settlement	**4,922**	**-**	**3,945**	**-**
DDI	4,391	-	3,692	-
DI	531	-	183	-
Dollar futures	-	-	70	-
Liabilities				
Derivatives	**19,044**	**1,085**	**2,567**	**133**
Swaps - differential payable	18,543	1,085	2,148	97
Payable for currency forward contract	501	-	419	36
Trading account				
Futures transactions pending settlement	**15,581**	**-**	**1,217**	**-**
DDI	14,984	-	-	-
Dollar futures	502	-	1,158	-
DI	95		59	

b) Swap agreements (Bank and Consolidated):

	2008					
	Notional	**Cost**		**Fair value**		**Net**
Indexes	**value**	**Bank**	**Counterparty**	**Bank**	**Counterparty**	**Position**
Asset Operations						
Trading purpose						
USD x CDI	287,629	397,157	(294,553)	396,842	(302,334)	94,508
Libor x CDI	11,506	14,943	(11,914)	14,870	(11,840)	3,030
CDI x USD	39,734	40,702	(39,237)	40,702	(38,030)	2,672
Total	**338,869**	**452,802**	**(345,704)**	**452,414**	**(352,204)**	**100,210**
Fair value hedge						
Libor x CDI	220,735	298,487	(230,596)	300,397	(231,559)	68,838
Total	**220,735**	**298,487**	**(230,596)**	**300,397**	**(231,559)**	**68,838**
Total asset operations	**559,604**	**751,289**	**(576,300)**	**752,811**	**(583,763)**	**169,048**
Liability Operations						
Trading purpose						
CDI x Fixed rate	112	176	(192)	177	(193)	(16)
USD x CDI	51,893	49,308	(52,388)	52,715	(53,632)	(917)
CDI x USD	139,905	160,937	(184,763)	160,621	(179,316)	(18,695)
Total	191,910	210,421	(237,343)	213,513	(233,141)	(19,628)
Total liability operations	**191,910**	**210,421**	**(237,343)**	**213,513**	**(233,141)**	**(19,628)**

	2007					
	Notional	Cost		Fair value		Net
Indexes	**value**	**Bank**	**Counterparty**	**Bank**	**Counterparty**	**Position**
Asset Operations						
Trading purpose						
CDI x USD	140,765	155,078	(132,224)	155,078	(134,264)	20,814
Swap - Double index	21,700	21,866	(21,786)	21,866	(21,786)	80
USD x CDI	3,278	3,301	(3,291)	3,331	(3,291)	40
Total asset operations	**165,743**	**180,245**	**(157,301)**	**180,275**	**(159,341)**	**20,934**
Liability Operations						
Trading purpose						
CDI x USD	1,971	1,988	(1,999)	1,988	(2,021)	(33)
CDI x Fixed rate	537	731	(762)	731	(806)	(75)
USD x CDI	7,667	7,556	(8,027)	7,634	(8,028)	(394)
Total	**10,175**	**10,275**	**(10,788)**	**10,353**	**(10,855)**	**(502)**
Fair value hedge						
Libor x CDI	172,117	173,317	(173,628)	173,531	(175,274)	(1,743)
Total	**172,117**	**173,317**	**(173,628)**	**173,531**	**(175,274)**	**(1,743)**
Total liability operations	**182,292**	**183,592**	**(184,416)**	**183,884**	**(186,129)**	**(2,245)**

c) Currency forward contracts (Bank and Consolidated):

	2008					
	Notional	Cost		Fair value		Net
Currency forward contracts	**value**	**Bank**	**Counterparty**	**Bank**	**Counterparty**	**position**
	(US$ thousand)					
Currency forward purchase	6,729	12,787	(15,727)	14,620	(11,590)	3,030
Currency forward sale	4,203	9,998	(9,822)	10,047	(9,513)	534
Total asset operations	**10,932**	**22,785**	**(25,549)**	**24,667**	**(21,103)**	**3,564**
Currency forward purchase	4,203	9,994	(9,822)	9,513	(10,014)	(501)
Total liability operations	**4,203**	**9,994**	**(9,822)**	**9,513**	**(10,014)**	**(501)**

	2007					
	Notional	Cost		Fair value		Net
Currency forward contracts	**value**	**Bank**	**Counterparty**	**Bank**	**Counterparty**	**position**
	(US$ thousand)					
Currency forward purchase	6,053	11,334	(10,721)	9,868	(9,259)	600
Currency forward sale	2,752	5,171	(4,874)	5,139	(4,880)	259
Total asset operations	**8,805**	**16,505**	**(15,595)**	**15,007**	**(14,139)**	**868**
Currency forward purchase	5,916	11,204	(10,450)	10,360	(10,815)	(455)
Total liability operations	**5,916**	**11,204**	**(10,450)**	**10,360**	**(10,815)**	**(455)**

d) Futures contracts (Bank and Consolidated):

	2008				
	Notional value			Daily adjustments	
	Long	Short	Total		
Contracts	**position**	**position**	**exposure**	**Receivable**	**Payable**
DDI	471,424	134,047	**605,471**	4,391	(14,984)
DI	529,378	21,363	**550,741**	531	(95)
Dollar futures	15,328	-	**15,328**	-	(502)
Total	**1,016,130**	**155,410**	**1,171,540**	**4,922**	**(15,581)**

	2007				
	Notional value			Daily adjustments	
	Long	Short	Total		
Contracts	**position**	**position**	**exposure**	**Receivable**	**Payable**
DDI	382,201	-	**382,201**	3,692	-
DI	935,164	46,819	**981,983**	183	(59)
Dollar futures	-	187,272	**187,272**	70	(1,158)
Total	**1,317,365**	**234,091**	**1,551,456**	**3,945**	**(1,217)**

e) By maturity (Bank and Consolidated):

	2008					
Operations	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Future	476,495	81,780	572,244	28,232	12,789	**1,171,540**
"Swap"	388,168	268,170	95,176	-	-	**751,514**
Currency forward	13,025	12,768	6,575	-	-	**32,368**
Total	**877,688**	**362,718**	**673,995**	**28,232**	**12,789**	**1,955,422**

	2007					
Operations	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Future	608,827	298,833	448,635	193,482	1,679	**1,551,456**
"Swap"	71,109	84,788	191,766	372	-	**348,035**
Currency forward	11,504	4,557	11,033	460	-	**27,554**
Total	**691,440**	**388,178**	**651,434**	**194,314**	**1,679**	**1,927,045**

f) Trading location (Bank and Consolidated):

	Notional value	
	2008	**2007**
Futures-		
Commodities and Futures Exchange (BM&F)	1,171,540	1,551,456
Swap-		
Clearinghouse for the Custody and Financial Settlement of Securities (CETIP)	750,491	344,880
Commodities and Futures Exchange (BM&F)	1,023	3,155
Currency forward contract -		
Clearinghouse for the Custody and Financial Settlement of Securities (CETIP)	32,368	27,554

g) Guarantee margins (Bank and Consolidated):

	2008		2007	
Federal government securities	**Adjusted cost**	**Fair value**	**Adjusted cost**	**Fair value**
LTN (National Treasury bills)	45,808	45,477	14,492	14,434
LTF (Treasury bills)	54,662	54,653	58,364	58,387
Total	**100,470**	**100,130**	**72,856**	**72,821**

h) Gains and losses on derivatives (Bank and Consolidated):

As December 31, 2008 and 2007 gains and losses on derivatives were recorded directly under the caption "derivatives", as shown below:

	Bank and Consolidated					
	2008			2007		
Derivatives	**Gain**	**Loss**	**Net**	**Gain**	**Loss**	**Net**
Swap	346,942	(215,715)	**131,227**	41,804	(26,444)	**15,360**
Currency forward contract	9,917	(7,510)	**2,407**	5,517	(4,869)	**648**
Futures market	631,972	(546,532)	**85,440**	371,200	(455,410)	**(84,210)**
Total	**988,831**	**(769,757)**	**219,074**	**418,521**	**(486,723)**	**(68,202)**

8. LENDING OPERATIONS

a) Breakdown of loan portfolio by type of operation:

	2008			
	Bank		Consolidated	
	Current	Long-term	Current	Long-term
Loans	1,832,923	644,800	1,856,572	650,893
Discounted trade notes	155,426	173	205,473	213
Financing (*)	374,748	321,140	444,178	411,312
Rural and agroindustrial financing	8,018	264	8,018	264
Total lending operations	**2,371,115**	**966,377**	**2,514,241**	**1,062,682**
Other credit notes receivable (note 10.b))	13,755	-	13,755	-
Advances on foreign exchange contracts	112,603	-	112,603	-
Imports backed by credit letters (note 19.a))	2,179	-	2,179	-
Total other operations	**128,537**	**-**	**128,537**	**-**
Total	**2,499,652**	**966,377**	**2,642,778**	**1,062,682**

	2007			
	Bank		Consolidated	
	Current	Long-term	Current	Long-term
Loans	1,925,284	568,418	1,998,510	570,516
Discounted trade notes	174,013	974	286,365	998
Financing (*)	187,891	250,144	187,891	250,144
Rural and agroindustrial financing	12,756	3,002	12,756	3,002
Total lending operations	**2,299,944**	**822,538**	**2,485,522**	**824,660**
Advances on foreign exchange contracts	165,847	-	165,847	-
Total other operations	**165,847**	**-**	**165,847**	**-**
Total	**2,465,791**	**822,538**	**2,651,369**	**824,660**

(*) Includes amounts of transactions recorded under the caption “import financing - contracted exchange rate” (Note 19.a).

b) Assignment of receivables:

In the year ended December 31, 2008, the Bank assigned R$292,252 related to payroll loan and vehicle financing transactions, with co-obligation, to other institutions part of the National Financial System, which were written off from the loan portfolio and are recorded in memorandum accounts (note 26). These assignments do not include the amounts assigned to the FIDCs mentioned in note 2.e).

c) Breakdown of loan portfolio by risk level:

	2008				2007			
	Total portfolio		Allowance		Total portfolio		Allowance	
Risk level	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
AA	175	125,808	-	-	1,707	1,707	-	-
A	983,342	1,070,960	4,918	5,074	1,232,279	1,302,650	6,161	6,161
B	2,075,848	2,086,611	20,758	20,925	1,861,836	1,972,583	18,618	18,682
C	146,652	152,964	4,399	5,727	102,667	106,707	3,080	3,787
D	70,314	73,358	7,031	8,134	23,240	23,689	2,324	2,773
E	36,745	39,140	11,023	12,799	18,950	19,403	5,685	6,138
F	21,151	22,638	10,576	12,062	14,647	15,136	7,324	7,814
G	24,104	25,016	16,873	17,785	5,554	5,790	3,888	4,124
H	107,698	108,965	107,699	108,965	27,449	28,364	27,449	28,364
Total	**3,466,029**	**3,705,460**	**183,277**	**191,471**	**3,288,329**	**3,476,029**	**74,529**	**77,843**

d) Breakdown by business sector:

	2008		2007	
	Bank	Consolidated	Bank	Consolidated
Private sector:				
Industrial	660,929	693,315	724,941	833,913
Commercial	367,904	382,070	483,337	529,635
Rural	8,282	8,282	15,758	15,758
Financial	-	-	116,388	116,388
Other services	1,062,780	1,083,841	925,937	958,367
Individuals	1,348,232	1,520,050	1,002,887	1,002,887
Public sector	17,902	17,902	19,081	19,081
Total	**3,466,029**	**3,705,460**	**3,288,329**	**3,476,029**

e) Breakdown by maturity:

	2008		2007	
	Bank	Consolidated	Bank	Consolidated
Current:				
Up to 3 months	1,299,977	1,364,814	1,315,690	1,441,185
From 3 to 12 months	972,160	1,033,332	1,083,563	1,127,599
From 1 to 3 years	782,819	867,052	710,587	712,709
From 3 to 5 years	159,082	171,154	100,769	100,769
Over 5 years	24,476	24,476	11,182	11,182
Total	**3,238,514**	**3,460,828**	**3,221,791**	**3,393,444**
Past-due:				
Up to 60 days	100,485	112,706	31,615	45,120
From 61 to 180 days	62,919	67,393	26,327	27,954
From 181 to 360 days	62,259	62,681	8,588	9,503
Over 360 days	1,852	1,852	8	8
Total	**227,515**	**244,632**	**66,538**	**82,585**
Total	**3,466,029**	**3,705,460**	**3,288,329**	**3,476,029**

f) Concentration of credit risk:

	2008			
	Bank		Consolidated	
Largest debtors	Amount	% of portfolio	Amount	% of portfolio
10 largest debtors	233,930	6.75	233,930	6.31
50 largest debtors	540,224	15.59	540,224	14.58
100 largest debtors	511,780	14.76	511,780	13.81
Other debtors	2,180,095	62.90	2,419,526	65.30
Total	**3,466,029**	**100.00**	**3,705,460**	**100.00**

	2007			
	Bank		Consolidated	
Largest debtors	Amount	% of portfolio	Amount	% of portfolio
10 largest debtors	252,806	7.69	254,393	7.32
50 largest debtors	558,466	16.98	560,379	16.12
100 largest debtors	536,480	16.31	566,362	16.29
Other debtors	1,940,577	59.02	2,094,895	60.27
Total	**3,288,329**	**100.00**	**3,476,029**	**100.00**

9. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses for operations recorded in the individual financial statements was recognized under the criteria described in note 3.f) and is considered sufficient to cover potential losses on lending operations. The changes in the allowance as of December 31, 2008 and 2007 are as follows:

	2008	2007
Beginning balance	**74,529**	**44,297**
Allowance recognized	176,823	60,851
Write-off as loss	(68,075)	(30,619)
Ending balance	**183,277**	**74,529**
Total classified in current assets - lending operations	134,717	59,629
Total classified in current assets - other receivables (Note 10.b))	13,755	-
Total classified in long-term assets	34,805	14,900

10. OTHER RECEIVABLES

Other receivables are composed of the following:

a) Foreign exchange portfolio:

	Bank and Consolidated	
	2008	2007
Exchange purchased pending settlement	138,408	200,596
Rights to foreign exchange sold	62,348	25,772
(-) Advances received in local currency	(2,207)	(24,619)
Income receivable from advances	7,178	3,523
Total	**205,727**	**205,272**

b) Other:

	Bank			
	2008		2007	
	Current	Long-term	Current	Long-term
Salary advances	349	-	200	-
Prepaid expenses	3,257	-	116	-
Tax credits (note 20.c))	45,557	88,639	5,322	46,147
Recoverable taxes	41	-	1,618	-
Refundable payments	670	-	748	-
Credit notes receivable (note 8.a))	13,755	-	-	-
(-) Allowance for loan losses (Note 9)	(13,755)	-	-	-
Sundry debtors	31,998	-	203	-
Total	**81,872**	**88,639**	**8,207**	**46,147**

	Consolidated			
	2008		2007	
	Current	Long-term	Current	Long-term
Salary advances	349	-	200	-
Prepaid expenses	3,256	-	116	-
Tax credits (note 20.c))	45,557	88,640	5,322	46,149
Recoverable taxes	767	-	2,153	-
Refundable payments	670	-	748	-
Credit notes receivable (note 8.a)	13,755	-	-	-
(-) Allowance for loan losses (Note 9)	(13,755)	-	-	-
Sundry debtors	31,998	-	203	-
Total	**82,597**	**88,640**	**8,742**	**46,149**

11. OTHER ASSETS

	Bank and Consolidated			
	2008		2007	
	Current	Long-term	Current	Long-term
Repossessed assets (1)	26,191	-	4,363	-
(-) Allowance for repossessed assets losses	(7,375)	-	-	-
Total repossessed assets	**18,816**	**-**	**4,363**	**-**
Prepaid expenses (2)	41,760	54,620	53,409	58,200
Total	**60,576**	**54,620**	**57,772**	**58,200**

(1) Refer to assets received as payment for loans.

(2) Refer to commissions paid in advance to correspondents (Note 3.i)).

12. INVESTMENTS

Represented substantially by investments in subsidiaries. The principal information on these investments is as follows:

12.1. Direct subsidiaries

	ACS Participações (1)		Daycoval Asset Management		Dayprev (2)	
	2008	2007	2008	2007	2008	2007
Capital	23,448	23,448	1,554	1,554	15,000	15,000
Number of shares held	101,947,448	101,947,448	14,253	14,253	14,550,000	14,550,000
Net assets	41,457	36,585	1,772	1,755	16,929	15,459
Net income (loss) for the year	4,806	(957)	17	103	1,465	461
Ownership interest %	99.99	99.99	99.99	99.99	97.00	97.00
Adjusted investment	41,456	36,585	1,772	1,755	16,421	14,995
Equity in subsidiaries for the year	4,806	(957)	17	103	1,421	446

(1) At the Shareholders' Meeting held on March 15, 2007, the shareholders approved the payment of dividends for prior years of ACS Participações Ltda. to the Bank in the amount of R$21,677

(2) The incorporation of Dayprev Vida e Previdência S.A. was approved at the meeting held on March 16, 2007, for the purpose of operating as a life insurance company and pension entity. The administrative incorporation process was approved by SUSEP (Superintendency of Private Insurance) on May 11, 2007 and published in the Official Gazette on May 15, 2007.

12.2. Indirect subsidiaries

	Treetop Investment (1) (2)		IFP Planejamento		SCC Assessoria	
	2008	2007	2008	2007	2008	2007
Capital	5,108	4,248	20	20	20	20
Number of shares held	2,668,585	2,668,585	20,000	20,000	20,000	20,000
Net assets	20,612	17,136	113	113	109	109
Net income for the year	(1,996)	2,844	-	-	-	-
Ownership interest - %	100.00	100.00	99.99	99.99	99.99	99.99
Adjusted investment	20,612	17,136	113	113	109	109
Equity in subsidiaries	(1,996)	2,844	-	-	-	-

(3) *At the Executive Committee's Meeting held on March 13, 2007, the Board resolved and approved a capital reduction in Treetop Investments Ltda., a direct subsidiary of ACS Participações S.A., from US$14,259,585.00 to US$5,259,585.00.*

(4) *At the Executive Committee's Meeting held on March 15, 2007, the Board resolved and approved a capital reduction in Treetop Investments Ltda., a direct subsidiary of ACS Participações S.A., from US$5,259,585.00 to US$2,668,585.00*

13. FOREIGN BRANCH

The balances of the transactions of Banco Daycoval S.A. - Cayman Branch (foreign branch) with third parties and included in the Bank's financial statements as of December 31, 2008, are as follows:

	2008	
	US$ thousand	R$ thousand
Assets		
Cash	17	40
Interbank investments	2,816	6,581
Securities and derivatives	1,637	3,826
Other assets	3,161	7,387
Total assets	**7,631**	**17,834**
Liabilities		
Securities	55,374	129,409
Other payables	217,843	509,099
Total liabilities	**273,217**	**638,508**

14. PROPERTY AND EQUIPMENT

	Bank				
	2008				2007
Description	Annual depreciation rate - %	Cost	Accumulated depreciation	Net book value	Net book value
Facilities	10	964	(203)	761	716
Furniture and equipment	10	3,148	(635)	2,513	2,091
Communication equipment	10	116	(27)	89	80
Computers and peripherals	20	3,758	(1,300)	2,458	1,933
Security equipment	10	301	(92)	209	240
Vehicles	20	1,583	(1,087)	496	440
Total		**9,870**	**(3,344)**	**6,526**	**5,500**

Description	Consolidated 2008 Annual depreciation rate %	Cost	Accumulated depreciation	Net book value	2007 Net book value
Real estate [(1)]	4	10,875	(5,201)	5,674	6,345
Facilities	10	964	(203)	761	716
Furniture and equipment	10	3,150	(635)	2,515	2,091
Communication equipment	10	116	(27)	89	80
Computers and peripherals	20	3,878	(1,400)	2,478	1,933
Security equipment	10	301	(92)	209	240
Vehicles	20	2,274	(1,403)	871	952
Total		**21,558**	**(8,961)**	**12,597**	**12,357**

[(1)] *Real estate held by the direct subsidiary is stated at cost plus revaluation at market value, which will be realized over the remaining useful life of the asset, as established by BACEN Resolution 3565/08.*

15. DEPOSITS AND MONEY MARKET FUNDING

Interbank deposits, time deposits and money market funding are traded at market rates. Their maturities are as follows:

Bank

2008

	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	113,843	-	-	-	-	-	**113,843**
Interbank deposits	-	225,246	235,264	3,127	-	-	**463,637**
Time deposits	-	465,187	222,793	411,684	81,885	2,995	**1,184,544**
Other deposits	156	-	-	-	-	-	**156**
Money market funding	-	1,290,642	-	-	-	-	**1,290,642**
Total	**113,999**	**1,981,075**	**458,057**	**414,811**	**81,885**	**2,995**	**3,052,822**

2007

	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	190,672	-	-	-	-	-	**190,672**
Interbank deposits	-	123,666	102,745	6,737	-	-	**233,148**
Time deposits	-	867,210	549,930	382,684	112,057	915	**1,912,796**
Other deposits	7	-	-	-	-	-	**7**
Money market funding	-	1,514,396	-	-	-	-	**1,514,396**
Total	**190,679**	**2,505,272**	**652,675**	**389,421**	**112,057**	**915**	**3,851,019**

Consolidated

2008

	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	113,787	-	-	-	-	-	**113,787**
Interbank deposits	-	225,246	235,264	3,127	-	-	**463,637**
Time deposits	-	465,187	218,811	410,921	81,475	2,995	**1,179,389**
Other deposits	156	-	-	-	-	-	**156**
Money market funding	-	1,290,642	-	-	-	-	**1,290,642**
Total	**113,943**	**1,981,075**	**454,075**	**414,048**	**81,475**	**2,995**	**3,047,611**

2007

	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Demand deposits	190,640	-	-	-	-	-	**190,640**
Interbank deposits	-	123,666	102,745	6,737	-	-	**233,148**
Time deposits	-	867,210	549,930	377,951	112,057	915	**1,908,063**
Other deposits	7	-	-	-	-	-	**7**
Money market funding	-	1,514,396	-	-	-	-	**1,514,396**
Total	**190,647**	**2,505,272**	**652,675**	**384,688**	**112,057**	**915**	**3,846,254**

16. FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

The Bank has a global Euro Medium Term Notes (EMTN) program that was implemented on December 14, 2005, and was increased from US$300 million to US$1 billion on June 6, 2008. Funds raised total US$345 million as of December 31, 2008 and US$120 million as of December 31, 2007.

The table below shows the characteristics of these operations and respective balances in local currency:

Issue in US$	Annual interest rate	Issue date	Maturity date	December 31, 2008 Bank	December 31, 2008 Consolidated
(US$ thousand)				(R$ thousand)	
100,000	7.250%	07/21/2008	07/21/2011	238,007	238,007
125,000	6.875%	06/09/2008	06/09/2010	271,093	271,093
120,000	7.750%	10/30/2006	10/30/2009	277,978	276,395
345,000				**787,078**	**785,495**
			Current	286,717	285,134
			Long-term	500,361	500,361

Issue in US$	Annual interest rate	Issue date	Maturity date	December 31, 2007 Bank	December 31, 2007 Consolidated
(US$ thousand)				(R$ thousand)	
120,000	7.750%	10/30/2006	10/30/2009	215,851	214,593
120,000				**215,851**	**214,593**
			Current	3,295	3,277
			Long-term	212,556	211,316

17. BORROWINGS

	Bank					
	Up to 3 months	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
December 31, 2008						
Borrowings and Onlendings						
Foreign currency payables [(1)]	172,631	100,009	87,272	-	-	**359,912**
Foreign borrowings	10,871	9,738	226,723	35,232	-	**282,564**
Domestic onlendings						
BNDES	-	900	2,540	-	-	**3,440**
FINAME	-	2,786	7,858	-	-	**10,644**
Foreign onlendings	10,500	31,160	32,201	-	-	**73,861**
TOTAL	**194,002**	**144,593**	**356,594**	**35,232**		**730,421**
December 31, 2007						
Borrowings and Onlendings						
Foreign currency payables [(1)]	124,656	79,479	-	-	-	**204,135**
Foreign borrowings	921	4,920	167,911	35,232	17,701	**226,685**
TOTAL	**125,577**	**84,399**	**167,911**	**35,232**	**17,701**	**430,820**

	Consolidated					
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
December 31, 2008						
Borrowings and Onlendings						
Domestic borrowings [(2)]	-	31,040	-	-	120,032	**151,072**
Foreign currency payables [(1)]	172,631	100,009	87,272	-	**-**	**359,912**
Foreign borrowings	10,871	9,738	226,723	35,232	**-**	**282,564**
Domestic onlendings						
BNDES	-	900	2,540	-	**-**	**3,440**
FINAME	-	2,786	7,858	-	**-**	**10,644**
Foreign onlendings	10,500	31,160	32,201	-	**-**	**73,861**
TOTAL	**194,002**	**175,633**	**356,594**	**35,232**	**120,032**	**881,493**
December 31, 2007						
Borrowings and Onlendings						
Domestic borrowings [(2)]	-	134,298	-	-	-	**134,298**
Foreign currency payables [(1)]	124,656	79,479	-	-	**-**	**204,135**
Foreign borrowings	921	4,920	167,911	35,232	17,701	**226,685**
TOTAL	**125,577**	**218,097**	**167,911**	**35,232**	**17,701**	**565,118**

(1) Refers to fundraising for foreign exchange operations related to export and import financing.

(2) The balance of Domestic borrowings, included in the consolidated financial statements, refers to the amount of senior shares, less the amount held by the Bank represented by the subordinated shares held in Daycoval FIDC and Daycoval Veículos FIDC, for the year ended December 31, 2008, and the amount of the subordinated shares held by the Bank in Daycoval FIDC for the year ended December 31, 2007.

18. INSURANCE OPERATIONS (CONSOLIDATED)

a) Receivables from insurance operations

Represented by receivables as of December 31, 2008, in the amount of R$273, relating to DPVAT (mandatory insurance against personal injury caused by automotive land vehicles) recorded under the caption “Other receivables - insurance premiums”.

b) Technical reserves

	2008
Unsettled claims	2,265
Pension plan	7
Other reserves	249
Total	**2,521**

c) Assets guaranteeing technical reserves

	2008
LFT (Treasury bills)	3,090
Assets guaranteeing technical reserves	**3,090**

d) Results of insurance operations

	2008
Results of insurance operations	
Revenue from premiums and contributions	17,096
Claims expenses	(13,812)
Selling expenses	(1,139)
Total[(1)]	**2,145**

(1) Recorded under the caption “Other operating income” in the statement of income.

19. OTHER PAYABLES

a) Foreign exchange portfolio

	Bank and Consolidated 2008	2007
Exchange sold pending settlement	60,584	25,274
(-) Import financing - contracted exchange rate	(2,179)	(82)
Foreign exchange purchased	105,955	205,448
(-) Advances on foreign exchange contracts	(105,437)	(162,248)
Charges payable on advances received	-	153
Unearned income on advances granted	12	6
Total	**58,935**	**68,551**

b) Social and statutory

	Bank		Consolidated	
	2008	2007	2008	2007
Dividends and bonuses payable (Note 22.f))	22,568	37,568	22,568	37,568
Profit sharing program (Note 25.1)	7,224	8,508	7,283	8,580
Total	**29,792**	**46,076**	**29,851**	**46,148**

c) Tax and social securities

	Bank			
	2008		2007	
	Current	Long-term	Current	Long-term
Income tax	65,639	-	62,208	-
Social contribution	21,623	-	20,685	-
Prepaid income tax and social contribution	(30,702)	-	(25,211)	-
Taxes payable	6,303	-	4,611	-
Deferred income tax and social contribution - (Note 20.c))	7,044	38,484	2,384	15,563
Legal obligations (Note 21.b))	-	225,727	-	153,762
Total	**69,907**	**264,211**	**64,677**	**169,325**

	Consolidated			
	2008		2007	
	Current	Long-term	Current	Long-term
Income tax	66,389	-	62,248	-
Social contribution	21,994	-	20,739	-
Prepaid income tax and social contribution	(31,559)	-	(25,211)	-
Income tax and social contribution on revaluation of assets	965	-	1,030	-
Taxes payable	6,347	-	4,656	-
Deferred income tax and social contribution (*) - (Note 20.c))	7,044	38,487	2,385	15,563
Legal obligations - (Note 21.b))	-	225,727	-	153,762
Total	**71,180**	**264,214**	**65,847**	**169,325**

d) Other

	Bank				Consolidated			
	2008		2007		2008		2007	
	Current	Long-term	Current	Long-term	Current	Long-term	Current	Long-term
Cashier’s checks	1,202	-	1,124	-	1,202	-	1,124	-
Accrued liabilities	8,423	-	10,185	-	9,079	-	10,454	-
Reserve for contingencies (Note 21.b))	-	3,969	-	1,755	-	3,969	-	1,755
Sundry creditors	20,589	-	17,129	-	20,593	-	17,132	-
Total	**30,214**	**3,969**	**28,438**	**1,755**	**30,874**	**3,969**	**28,710**	**1,755**

20. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution were calculated as follows:

	Bank		Consolidated	
	2008	2007	2008	2007
Income before income tax and social contribution, less interest on capital	149,728	201,656	157,137	201,493
Income tax and social contribution at the rates of 25% and 15%, respectively (*)	(56,602)	(68,563)	(59,155)	(68,508)
Additions:				
Equity in subsidiaries	(1,637)	(139)	(3,009)	-
Adjustments of derivatives	(31,002)	(8,707)	(31,019)	(8,707)
Allowance for loan losses	(70,729)	(20,689)	(70,729)	(20,689)
Nondeductible expenses	(10,340)	(4,237)	(10,555)	(4,460)
Other	(5,595)	(4,748)	(5,603)	(5,781)
Deductions:				
Equity subsidiaries	3,468	-	6,021	-
Adjustments of derivatives	33,232	6,777	33,232	6,777
Losses on lending operations	37,813	15,785	37,813	15,785
Nontaxable income	2,985	1,624	3,473	1,625
Other	-	3	2	828
Current income tax and social contribution	**(98,407)**	**(82,894)**	**(99,529)**	**(83,130)**

(*) For the year ended December 31, 2007, the social contribution rate was 9%.

b) Income tax and social contribution on temporary additions and deductions (assets and liabilities):

As established by Resolution No. 3059/02, amended by Resolution No. 3355/06, both of BACEN and CVM Instruction No. 371/02, deferred tax assets and liabilities ("tax credits" and "deferred taxes") arising from temporary differences must cumulatively meet the following conditions: (i) history of taxable income or profits for income tax and social contribution purposes, for at least three of the last five fiscal years, including the year at issue; and (ii) expected future taxable income or profits for income tax and social contribution purposes, for subsequent periods, based on an internal technical study showing the probability of occurrence of future tax obligations to be offset against the tax credit within a period of 10 years.

c) Deferred tax credits and deferred taxes consist of the following:

Tax credits:	2007	Recognition	Write-off	2008
Deferred income tax and social contribution on:				
Reserve for tax contingencies	28,312	16,625	-	44,937
Allowance for loan losses	5,062	74,573	(37,814)	41,821
Adjustment to fair value of securities and derivatives	15,725	39,180	(21,776)	33,129
Other temporary additions	2,370	11,986	(47)	14,309
Total tax credits on temporary differences	**51,469**	**142,364**	**(59,637)**	**134,196**

Deferred taxes:	2007	Recognition	Write-off	2008
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	3,732	33,377	(10,700)	26,409
Unrealized profits on derivatives	13,943	9,488	(12,091)	11,340
Other	272	7,509	(2)	7,779
Total deferred taxes	**17,947**	**50,374**	**(22,793)**	**45,528**

Tax credits:	2006	Recognition	Write-off	2007
Deferred income tax and social contribution tax on:				
Reserve for tax contingencies	-	28,312	-	28,312
Allowance for loan losses	-	20,847	(15,785)	5,062
Adjustment to fair value of securities and derivatives	-	15,739	(14)	15,725
Other temporary additions	-	2,370	-	2,370
Total tax credits on temporary differences	**-**	**67,268**	**(15,799)**	**51,469**

Deferred taxes:	2006	Recognition	Write-off	2007
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	2,919	1,866	(1,053)	3,732
Unrealized profits on derivatives	-	13,943	-	13,943
Other	-	272	-	272
Total deferred taxes	**2,919**	**16,081**	**(1,053)**	**17,947**

Considering that the Provisional Act No. 413, issued on January 3, 2008 and signed into Law No. 11727 on June 23, 2008, changed the rate of the social contribution on income (CSLL) of insurance companies, as well as of capitalization companies and financial institutions, from 9% to 15% starting on May 1, 2008, the balances of deferred taxes assets and liabilities recorded beginning April 30,2008 were adjusted for the difference between the above-mentioned rates, which resulted in an increase of R$8,755 in the balance of tax credits and R$1,758 in the balance of deferred taxes.

d) Estimated realization of tax credits:

	2008		
	Temporary differences		Total
Realization	Income tax	Social contribution	deferred taxes
Up to 1 year	28,474	17,083	45,557
Up to 2 years	480	288	768
Up to 3 years	2,612	1,567	4,179
Up to 4 years	66	40	106
Up to 5 years	61,967	21,619	83,586
Total	**93,599**	**40,597**	**134,196**

The realization of tax credits for the year ended December 31, 2007 is estimated as follows: ***(i)*** on the allowance for loan losses, up to the end of 2009; ***(ii)*** on the adjustment to fair value of securities and derivatives, upon the realization of these transactions, which is expected to occur by the end of 2014. As for the reserve for contingencies, realization depends on the conclusion of the lawsuits to which they refer.

The present value of tax credits as of December 31, 2008 and 2007 is R$103,256 and R$32,663, respectively, and was calculated based on expected realization of temporary differences, discounted at the average funding rate of the Bank, for related periods.

Taxable income projections consider macroeconomic assumptions, exchange and interest rates, estimates of new financial operations, among others, which may vary in relation to actual results.

21. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS (TAX AND SOCIAL SECURITY)

a) Contingent assets - in the years ended December 31, 2008 and 2007, the Bank and its subsidiaries did not recognize contingent assets.

b) Contingent liabilities classified as probable losses and legal obligations (tax and social security).

The Bank is a party to various lawsuits involving labor, civil and tax matters. Reserves are recorded based on assessments according to the criteria described in note 3.s). The Bank's management understands that the reserve recorded is sufficient to cover losses on these lawsuits.

Reserve recorded and respective changes for the years ended December 31, 2008 and 2007 are as follows:

	Bank and Consolidated	
	2008	**2007**
Reserve for tax contingencies [b.1]	225,727	153,762
Labor lawsuits (Note 19 d))	162	157
Civil lawsuits (Note 19 d))	3,807	1,598
Total	**229,696**	**155,517**

	Tax		Labor		Civil	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Balance at beginning of year	**153,762**	**114,980**	**157**	**256**	**1,598**	**100**
Inflation adjustment	15,777	10,180	-	-	-	-
Recognition (reversal)	56,188	28,602	5	(99)	2,209	1,498
Balance at end of year	**225,727**	**153,762**	**162**	**157**	**3,807**	**1,598**

b.1) The Bank is challenging in court the legality of certain taxes and the amounts involved are fully accrued and updated.

The main lawsuits are:

Income tax: seeks deduction of social contribution amounts from the income tax basis and challenges the effect of the discontinuation of the inflation adjustment of the balance sheet;

Social contribution tax: *(i)* challenges the effect of the discontinuation of the inflation adjustment of the balance sheet, the existence of different tax rates and seeks the recognition of interest on capital as deductible expense for 1996; and *(ii)* challenges the increase of the social contribution rate from 9% to 15%, as established by Provisional Act No. 413/08, signed into Law No. 11727 of June 23, 2008;

COFINS (tax on revenue): challenges application of Law No. 9718/98; and

PIS (tax on revenue): challenges application of Law No. 9718/98 and requirement by tax authorities of determination of the PIS basis in disagreement with Constitutional Amendments No. 01/94, No. 10/96 and No. 17/97.

c) Contingent liabilities classified as possible losses

These contingent liabilities, represented by civil and labor lawsuits, are not recorded. Civil lawsuits refer principally to claims for compensation for pain and suffering and property damages, with a risk estimate of R$20,790 as of December 31, 2008 and R$5,056 as of December 31, 2007. As of December 31, 2008 and 2007, the risk estimate for labor lawsuits is approximately R$1,661 and R$1,494, respectively.

There are no significant administrative proceedings in progress for noncompliance with the rules of the National Financial System or payment of fines, which might cause a material impact on the financial position of the Bank and its subsidiaries.

22. SHAREHOLDERS' EQUITY (BANK)

a) Capital:

Fully subscribed and paid-up capital of the Bank is represented by registered common and preferred shares without par value.

b) Breakdown of common and preferred shares:

	Number of shares	
	2008	**2007**
Common shares	142,418,179	142,418,179
Preferred shares	80,215,333	80,215,333
(-) Treasury shares (Note 22.e.2))	(2.615.400))	-
Total	**220,018,112**	**222,018,312**

c) Changes in capital

	Number of shares		
	Common shares	**Preferred shares**	**Total**
Number of shares as of December 31, 2006	**1,660,826**	**1,660,826**	**3,321,652**
Issuance of shares through capital increase (1)	14,682	14,682	29,364
Number of shares prior to the stock split	**1,675,508**	**1,675,508**	**3,351,016**
Stock split and new number of shares (2)	**83,775,400**	**83,775,400**	**167,550,800**
Conversion of preferred shares into common shares (3)	58,642,779	(58,642,779)	**-**
Issuance of shares through initial public offering (4)	-	55,082,712	55,082,712
Number of shares as of December 31, 2007	**142,418,179**	**80,215,333**	**222,633,512**
Number of shares as of December 31, 2007	**142,418,179**	**80,215,333**	**222,633,512**
Share buyback in 2008 (note 22.e.2))	-	(2,615,400)	(2,615,400)
Number of shares as of December 31, 2008	**142,418,179**	**77,599,933**	**220,018,112**

(1) At the Extraordinary Shareholders' Meeting held on March 8, 2007, the shareholders resolved and approved a capital increase through the issuance of 29,364 shares, of which 14,682 are common shares and 14.682 are preferred shares, all without par value.

(2) At the Extraordinary Shareholders' Meeting held on March 9, 2207, the shareholders resolved and approved a 50-for-1 stock split of all common and preferred shares. As a result, capital was represented by 83,775,400 common shares and 83,775,400 preferred shares.

(3) *At the Extraordinary Shareholders' Meeting held on May 4, 2007, the shareholders resolved and approved the conversion of 58,642,779 preferred shares into common shares. As a result, capital was represented by 142,418,179 common shares and 25,132,621 preferred shares.*

(4) *At the Extraordinary Shareholders' Meeting held on June 21, 2007, the shareholders resolved and approved the issuance of 55,082,712 registered preferred shares without par value.*

d) Capital increases:

- At the Extraordinary Shareholders' Meeting held on December 26, 2006, the shareholders approved a capital increase in the amount of R$8,656. This capital increase was approved by the Central Bank of Brazil on January 12, 2007.
- As the Extraordinary Shareholders' Meeting held on March 8, 2007, the shareholders resolved and approved a capital increase in the amount of R$3,897 to R$192,458 from R$188,561. This capital increase was approved by the Central Bank of Brazil on March 16, 2007.
- At the Extraordinary Shareholders' Meeting held on March 9, 2007, the shareholders resolved and approved a capital increase in the amount of R$192,458 to R$422,737, without the issuance of corresponding shares, through the absorption of reserves in the amount of R$230,279, represented as follows: (i) capital reserves - R$453; (ii) profit reserves - R$20,573; and (iii) prior years' retained earnings - R$209,253. This capital increase was approved by the Central Bank of Brazil on March 27, 2007.
- At the Extraordinary Shareholders' Meeting held on June 21, 2007, the shareholders resolved and approved a capital increase within the authorized capital limit, through the issuance of 55,082,712 preferred shares, as part of the Initial Public Offering;
- At the Extraordinary Shareholders' Meeting held on June 26, 2007, the shareholders resolved and approved the price of R$17.00 per preferred share, mentioned in the preceding item, which was determined based on the result of the bookbuilding procedure. As a result, capital was increased to R$1,359,143 from R$422,737, with proceeds from the initial public offering of preferred shares in the amount of R$936,406. This capital increase was approved by the Central Bank of Brazil on June 28, 2007.

e) Share buyback plan

According to the Bank's Board of Directors' meeting held on April 4, 2008 and Notice to the Market published on April 5 and 7, 2008, it was resolved and approved the Share Buyback Plan, to be held in treasury and subsequently sold or cancelled, without capital reduction, using existing reserves, in conformity with Law 6404/76, CVM Instruction 10/80, and the Bank's bylaws.

e.1) Purpose, term and intermediaries of the share buyback plan:

I - Purpose: up to 10% of outstanding registered preferred shares, represented by up to 6,426,316 preferred shares, shall be acquired for purposes of being held in treasury and subsequently sold or cancelled;

II - Term: the share buyback plan will be effective until April 3, 2009;

III - Intermediaries: these shares will be bought on the São Paulo Stock Exchange (BVSP) at market price and purchase will be intermediated by: (a) UBS Pactual Corretora de Títulos e Valores Mobiliários S.A., enrolled with the National Register of Legal Entities (CNPJ) under No. 43.815.158/0001-22, with headquarters at Avenida Brigadeiro Faria Lima nº 3729, 10º andar, São Paulo, Capital; (b) Concórdia S/A CVMCC, enrolled with the CNPJ under No. 52.904.364/0001-08, with headquarters at Rua Libero Badaró, 425, 23º andar; and (c) Itaú Corretora de Valores S.A., enrolled with the CNPJ under No. 61.194.353/0001-64, with headquarters at Avenida Doutor Hugo Beolchi, 900, 15° andar, São Paulo, Capital.

e.2) Treasury shares:

The table below shows information on the shares bought back in the year ended December 31, 2008:

Type	Acquisition of treasury shares	Buyback trading prices			Average market price (1)	Market value
		minimum	average	maximum		
2008						
Preferred shares	2,615,400	3.67	6.45	15.26	5.30	13,862

(1) Closing quotation disclosed by the São Paulo Stock Exchange (Bovespa) of the Bank's preferred shares, ticker DAYC4, based on the last trading day of 2008.

f) Interest on capital and/or dividends:

According to the bylaws, the shareholders are entitled to dividends and/or interest on capital equivalent to not less than 25% of net income for the year adjusted according to Brazilian corporate law.

Interest on capital is calculated on shareholders' equity, limited to the variation of the TJLP (long-term interest rate), contingent upon the existence of income before its deduction or retained earnings and profit reserves.

The calculation of dividends and interest on capital for the years ended December 31, 2008 and 2007 is as follows:

	2008	%(*)	2007	%(*)
Net income for the year	200,150		206,017	
(-) Legal reserve	(10,008)		(10,301)	
Adjusted calculation basis	**190,142**		**195,716**	
Gross interest on capital	93,416		55,791	
(-) Withholding income tax on interest on capital	(13,608)		(8,124)	
Net interest on capital for the year	**79,808**		**47,667**	
Proposed supplementary dividends	-		1,262	
Net interest on capital and dividends for the year	**79,808**	**41.97%**	**48,929**	**25.00%**

(*) *Refers to the percentage corresponding to the sum of the net interest on capital and dividends and the adjusted calculation basis for each year.*

Dividends and interest on capital paid or accrued are as follows:

Description	2008 Gross amount per share Common	Preferred	Amount paid or accrued gross	IRRF	Amount paid or accrued net
Interest on capital[1]	0.10311	0.10311	22,956	(3,329)	19,627
Interest on capital[2]	0.10916	0.10916	24,277	(3,537)	20,740
Interest on capital[3]	0.11138	0.11138	24,711	(3,610)	21,101
Interest on capital[4]	0.09759	0.09759	21,472	(3,132)	18,340
Total paid or accrued in the year			**93,416**	**(13,608)**	**79,808**

Description	2007 Gross amount per share Common	Preferred	Amount paid or accrued gross	IRRF	Amount paid or accrued net
Interest on capital[5]	1.3800[7]	1.3800[7]	4,586	(688)	3,898
Interest on capital[6]	0.0524[8]	0.0524[8]	8,780	(1,317)	7,463
Interest on capital	0.19056[9]	0.19056[9]	42,425	(6,119)	36,306
Dividends	0.00567[10]	0.00567[10]	1,262	-	1,262
Total paid or accrued in the year			**57,053**	**(8,124)**	**48,929**

(1) The Bank's Board of Directors' meeting held on March 27, 2008 ratified the payment of interest on capital for the period from January 1 to March 27, 2008 approved by the executive committee, subject to the approval of the Shareholders' Meeting. The amounts were made available to shareholders on April 10, 2008.

(2) The Bank's Board of Directors' meeting held on March 27, 2008 ratified the payment of interest on capital for the period from March 28 to June 27, 2008 approved by the executive committee, subject to the approval of the Shareholders' Meeting. The amounts were made available to shareholders on July 15, 2008.

(3) The Bank's Board of Directors' meeting held on March 29, 2008 ratified the payment of interest on capital for the period from June 28 to September 29, 2008 approved by the executive committee, subject to the approval of the Shareholders' Meeting. The amounts were made available to shareholders on October 15, 2008.

(4) The Bank's Board of Directors' meeting held on March 23, 2008 ratified the payment of interest on capital for the period from September 29 to December 23, 2008 approved by the executive committee, subject to the approval of the Shareholders' Meeting. The amounts were made available to shareholders on January 15, 2009.

(5) At the Extraordinary Shareholders' Meeting held on March 7, 2007, the shareholders resolved and approved to pay interest on capital to shareholders in the amount of R$4,586, paid on March 8, 2007.

(6) At the Extraordinary Shareholders' Meeting held on June 21, 2007, the shareholders resolved and approved to pay interest on capital to shareholders in the amount of R$8,780, paid on the same date.

(7) Amount of interest on capital calculated based on 3,321,652 shares, the number of shares prior to the stock split and the initial public offering.

(8) Amount of interest on capital calculated based on 167,550,800 shares, the number of shares after the stock split and prior to the initial public offering.

(9) On December 19, 2007 the executive committee approved and the Board of Directors ratified, subject to the approval of the Shareholders' Meeting, the payment of supplementary interest on capital for 2007, in the amount of R$42,425. According to the notice to shareholders, payment was made on January 10, 2008.

(10) Supplementary dividends accrued as of December 31, 2007, as provided for by the bylaws on mandatory minimum dividends.

g) Profit reserves:

	2008	**2007**
Revaluation reserves [1]	**1,991**	**2,071**
Profit reserves	**267,717**	**160,838**
Legal reserve[2]	20,308	10,301
Unrealized profit reserve [3]	12,409	12,409
Statutory reserves [4]	235,000	138,128
Treasury shares (Note 22.e.2))	(16,874)	-

(1) Refers to the revaluation of properties of subsidiary, which is recorded in income over the estimated useful life of the revalued asset.

(2) 5% of net income for the year must be allocated to this reserve until it equals 20% of capital, according to prevailing legislation.

(3) Partial reversal of the recorded reserve relating to the net income of the indirect subsidiary Treetop Investment Ltd.

(4) Reserve recorded according to the bylaws

23. STATEMENTS OF INCOME

a) Other administrative expenses:

	Bank		Consolidated	
	2008	2007	2008	2007
Public utilities	828	673	828	673
Rent and insurance	6,810	5,468	6,829	5,468
Communications	3,070	2,052	3,072	2,054
Charitable contributions	1,796	2,026	1,796	2,026
Assets maintenance	1,596	1,242	1,599	1,286
Materials	1,529	1,315	1,529	1,315
Data processing	6,276	5,004	6,279	5,004
Promotion, advertising and publications	4,307	4,948	4,330	4,948
Outside technical and specialized services[(1)]	130,350	78,386	130,460	78,583
Depreciation and amortization	1,315	1,000	1,852	1,601
Other administrative expenses	12,247	6,956	14,072	7,114
Total	**170,124**	**109,070**	**172,646**	**110,072**

[(1)] *In 2007, includes R$37,947 related to the cost of the Initial Public Offering of preferred shares.*

b) Other operating income:

	Bank		Consolidated	
	2008	2007	2008	2007
Exchange variation on liabilities	74,000	68,483	81,209	68,485
Inflation adjustment of escrow deposits	7,329	4,780	7,351	4,787
Other operating income	2,965	1,102	3,258	3,031
Recovery of charges and expenses	463	2,453	462	2,453
Total	**84,757**	**76,818**	**92,280**	**78,756**

c) Other operating expenses:

	Bank		Consolidated	
	2008	2007	2008	2007
Inflation adjustment of taxes	16,459	10,494	16,459	10,494
Exchange variation	241	-	2,440	4,010
Interest expenses	-	27	-	31
Other operating expenses	17,113	3,530	17,127	3,815
Total	**33,813**	**14,051**	**36,026**	**18,350**

24. OPERATING LIMITS (BASEL ACCORD)

The Central Bank of Brazil disclosed Communications 12746/04 and 16137/07, which address the guidelines and the implementation schedules of the criteria of the New Basel Accord (Basel II). These Communications contain the recommendations of the Basel Banking Supervision Committee, contained in the document *"International Convergence of Capital Measurement and Capital Standards" (Basel II)*, which establish more appropriate criteria for the risk levels associated to financial institutions' operations for the allocation of regulatory capital.

In addition to these Communications, the National Monetary Council disclosed several regulations that establish the guidelines to calculate regulatory capital, which went into effect on July 1, 2008, such as:

- Resolution 3490/07 - Defines the Minimum Regulatory Capital (PRE);
- Circular 3360/07 - Defines the Risk-Weighted Exposure (PEPR) portion;

- Circulars 3361/07 to 3364/07, 3366/07, 3368/07, and 3389/08 - Define exposure to the Interest (PJUR-1 to PJUR-4), Share (PACS), Commodities (PCOM) and Foreign Exchange (PCAM) portions;
- Circular 3383/07 - Defines the Operational Risk Portion.

The table below shows, based on the regulations mentioned in the paragraph above, the calculation of the capital requirements and the Basel ratio:

	2008	2007
Adjusted shareholders' equity	1,607,228	1,517,493
Write-down of revaluation reserves	(1,991)	-
Write-down of valuation adjustments to available-for-sale securities	(4,919)	-
Tier I Regulatory Capital	**1,600,318**	**1,517,493**
Addition of revaluation reserves	1,991	-
Addition of valuation adjustments to available-for-sale securities	4,919	-
Tier II Regulatory Capital	**6,910**	**-**
Risk-weighted Regulatory Capital	**1,607,228**	**1,517,493**
Capital allocation by risk level		
Credit risk	428,630	409,684
Market risk	186,084	56,126
Operational risk	12,815	-
Required regulatory capital (PRE)	**627,529**	**465,810**
Basel ratio	**28.17%**	**35.84%**

As of December 31, 2008, the Bank's shareholders' equity exceeded BACEN's required regulatory capital by 156.12%.

As of December 31, 2007, based on legislation in effect at the time, CMN Resolution 2099/94, the Bank's shareholders' equity exceeded BACEN's required regulatory capital by 225.78% and the Basel ratio was 35.84%.

25. EMPLOYEE BENEFIT

25.1. Profit sharing program

The Bank has a profit sharing program for all its employees. This program is prepared together with the Union of Bank Employees and is tied to performance targets evaluated annually, using the criteria according to the Performance Assessment program.

25.2. Stock option plan

The Extraordinary Shareholders' Meeting approved on May 21, 2008 a Stock Option Plan under which the Bank will grant to its officers, employees and individuals who render services to the Bank and its subsidiaries options to purchase its shares. The stock option programs were approved by the Board of Directors on July 25, 2008.

I - Purpose of the Plan:

The Plan is designed primarily to: ***(i)*** boost the Bank's expansion by creating incentives for better integration of employees as shareholders of the Bank; ***(ii)*** allow the Bank to retain its professionals, granting them as additional advantage and incentive the opportunity to become shareholders of the Bank under the terms and conditions of the Plan; and ***(iii)*** foster good performance of the Bank and the interests of its shareholders by means of its executives', officers' and employees' long-term commitment.

II - Plan management and option shares:

The plan will be managed by the Board of Directors and all decisions related to the Plan shall be approved by the Board.

The Options granted under the Plan cannot exceed, during the period the Plan is effective, a maximum limit of 5% of the total shares of the subscribed and paid-up capital, at any time, and the shares subject to the Options granted under the Plan will derive, as resolved by the Board of Directors: ***(i)*** from the issuance of new preferred shares, within the authorized capital limit; and/or ***(ii)*** from treasury shares.

III - Beneficiaries:

Executives, officers and employees of the Bank and its direct and indirect subsidiaries, and individuals who render services to the Bank or its subsidiaries are eligible to participate in this Plan.

The beneficiaries will have no right as shareholders of the Bank (including the right to receive dividends), with respect to any shares subject to the Options, until such shares are fully subscribed/acquired and paid up by the beneficiaries.

IV - Price and vesting period:

1st Program:

The exercise price per share will be equivalent to the weighted average of the last 30 trading sessions immediately prior to the option exercise notice, with a discount of 30%.

The vesting period for the 1st Program is determined as follows:

Vesting period	**Exercisable option percentage**
At the end of the 2nd year	50%
At the end of the 3rd year	25%
At the end of the 4th year	25%

2nd Program:

The exercise price per share will be R$15.00, adjusted by the variation of the IPCA (extended consumer price index) published by the IBGE (Brazilian Institute of Geography and Statistics) or one that may replace it, from the date of approval of the Program to the date of exercise of the Stock Option.

The vesting period for the 2nd Program is determined as follows:

Vesting period	**Exercisable option percentage**
At the end of 1st year	25%
At the end of the 2nd year	25%
At the end of the 3rd year	25%
At the end of the 4th year	25%

3rd Program

The price per share for exercising options (“Exercise Price”) will be defined on the stock option grant date, adjusted by the fluctuation of the Extended Consumer Price Index disclosed by the Brazilian Institute of Geography and Statistics (“IPC-A”), or any index that replaces it, from the date the beneficiaries join the Program up to the date the stock option is exercised.

The vesting period of the 3rd stock option program is 180 days, starting on the date of adherence to the Program.

The exercise price will be adjusted taking into consideration dividends and interest on capital that may be paid.

V - Options granted:

Grant Number	Grant Date	Vesting date	Option expiration date	Options granted
1st Program				
1st grant	07/25/2008	07/25/2010	07/25/2018	864,290
2st grant	12/12/2008	12/12/2010	12/12/2018	42,857
		Total options granted under the 1st Program		**907,147**
3st Program				
1st grant	12/12/2008	06/12/2009	12/12/2018	303,000
		Total options granted under the 3rd Program		**303,000**
		Total options granted		**1,210,147**

Until the date of publication of these financial statements, there were no grants for the 2nd Stock Option Program.

VI - Fair value calculation

The fair value of the stock options of the First Stock Option Program was calculated based on statistical modeling that takes into consideration all the main features of this Program, including vesting period, option exercise conditions, and price of the underlying asset.

For the year ended December 31, 2008, the accounting effects, had they been recognized, would negatively impact net income by R$559.

26. GUARANTEES PROVIDED ON BEHALF OF THIRD PARTIES (BANK AND CONSOLIDATED)

Guarantees provided on behalf of third parties as of December 31, 2008 amount to R$313,965, of which R$275,351 refer to co-obligations from the assignment of receivables. As of December 31, 2007, guarantees provided on behalf of third parties amount to R$97,859, and are subject to financial charges and counter-guarantees provided by beneficiaries.

The table below shows guarantees provided on behalf of third parties, recorded in memorandum accounts, as of December 31, 2008 and 2007:

	Bank and Consolidated					
	Up to 3 months	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
2008	53,562	92,450	134,608	31,725	1,620	**313,965**
2007	67,116	25,106	5,637	-	-	**97,859**

The Bank does not guarantee any transaction of direct and indirect subsidiaries, its directors and their family.

27. RELATED-PARTY TRANSACTIONS

a) The direct and indirect subsidiaries and the shareholders of the Bank enter into transactions with the Bank under usual market conditions. These transactions are contracted at rates consistent with those prevailing in the market on the transaction and settlement dates.

The table below shows the transactions between the Bank and its related parties as of December 31, 2008 and 2007:

	2008		2007	
Transactions	**Assets (liabilities)**	**Income (expenses)**	**Assets (liabilities)**	**Income (expenses)**
Demand deposits	**(198)**	**-**	**(186)**	**-**
Parent company	**(9)**	**-**	**(8)**	**-**
Daycoval Holding Financeira S.A.	(9)	-	(8)	-
Direct subsidiaries	**(56)**	**-**	**(32)**	**-**
ACS Participações Ltda.	(45)	-	(5)	-
Daycoval Asset Management Ltda.	(6)	-	(15)	-
Dayprev Vida e Previdência S.A.	(5)	-	(12)	-
Other related parties	**(7)**	**-**	**(7)**	**-**
Daycoval Cobr. A. Serv. Ltda.	(2)	-	(2)	-
Daycoval Fomento Comercial Ltda.	(1)	-	(1)	-
Parateí Agropecuária e Imob. Ltda.	(4)	-	(3)	-
Valco Admin. Part. e Repres. Ltda.	-	-	(1)	-
Other related parties - individuals	**(126)**	**-**	**(139)**	**-**
Time deposits	**(91,387)**	**(9,550)**	**(86,186)**	**(6,299)**
Direct subsidiaries	**(5,154)**	**(591)**	**(4,734)**	**(587)**
ACS Participações Ltda.	(4,391)	(483)	(3,656)	(423)
Daycoval Asset Management Ltda.	(763)	(108)	(1,078)	(164)
Other related parties	**(432)**	**(50)**	**(408)**	**(47)**
Daycoval Fomento Comercial Ltda.	(373)	(42)	(336)	(37)
Parateí Agropecuária e Imob. Ltda.	(59)	(8)	(72)	(10)
Other related parties - individuals	**(85,801)**	**(8,909)**	**(81,044)**	**(5,665)**
Securities issued abroad	**(1,583)**	**(199)**	**(1,258)**	**(108)**
Direct subsidiaries	**(213)**	**(58)**	**(180)**	**(21)**
ACS Participações Ltda.	(213)	(58)	(180)	(21)
Indirect subsidiaries	**(1,370)**	**(141)**	**(1,078)**	**(87)**
Treetop Investments Ltd.	(1,370)	(141)	(1,078)	(87)
Subordinated shares (note 6.b))	**80,165**	**10,062**	**50,088**	**12,064**
Other related parties - legal entity	**80,165**	**10,062**	**50,088**	**12,064**
Daycoval FIDC	28,130	10,043	50,088	12,064
Daycoval Veículos FIDC	52,035	19	-	-

The table below shows the interest rates and respective periods of transactions between the Bank and its related parties as of December 31, 2008:

Description	Interest rate	Assets (liabilities) Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Total
Time deposits		**5,056**	**50,838**	**35,493**	**-**	**91,387**
Direct subsidiaries		**3,982**	**763**	**409**	**-**	**5,154**
ACS Participações Ltda.	103% CDI	3,982	-	409	-	4,391
Daycoval Asset Management Ltda.	103% CDI	-	763	-	-	763
Other related parties		**422**	**10**	**-**	**-**	**432**
Daycoval Fomento Comercial Ltda.	103% CDI	373	-	-	-	373
Parateí Agropecuária e Imob. Ltda.	103% CDI	49	10	-	-	59
Other related parties - individuals	103% CDI	**652**	**50,065**	**35,084**	**-**	**85,801**
Securities issued abroad		**1,583**	**-**	**-**	**-**	**1,583**
Direct subsidiaries		**213**	**-**	**-**	**-**	**213**
ACS Participações Ltda.	7.75% p.a.	213	-	-	-	213
Indirect subsidiaries		**1,370**	**-**	**-**	**-**	**1,370**
Treetop Investments Ltd.	7.75% p.a.	1,370	-	-	-	1,370
Subordinated shares (Nota 6.b))						
Other related parties - Legal entity		**28,130**	**-**	**-**	**52,035**	**80,165**
Daycoval FIDC	106% CDI	28,130	-	-	-	**28,130**
Daycoval Veículos FIDC	113% CDI	-	-	-	52,035	**52,035**

Pursuant to Brazilian legislation, the financial institutions cannot grant loans or advances and cannot guarantee operations of their controlling shareholders, affiliates, directors or their second-degree relatives. Accordingly, the Bank does not grant loans or advances and does not guarantee any operation of its direct and indirect subsidiaries, their directors or family.

b) Compensation of key management personnel:

The Annual Shareholders' Meeting sets the overall compensation of management, as established by the Bank’s bylaws.

Management compensation for the year ended December 31, 2008 was a set at a maximum amount of R$10 million.

	2008
Management short-term benefits	
Fixed compensation	2,082
Total	**2,082**
Management long-term benefits	**Number**
Stock options granted - note 25.2	47,620

The Bank does not grant other short- or long-term post-employment, and employment contract termination benefits to the key management personnel.

c) Ownership interest:

As of December 31, 2008, the members of the Board of Directors and the Executive Committee hold jointly the following interest in the Bank's capital:

	Percentage interest held per type of share
• Registered common shares - through indirect interest (Daycoval Holding Financeira S.A.)	92.16%
• Registered preferred shares	20.70%

28. OTHER INFORMATION

a) Third-party asset management - Daycoval Asset Management is responsible for managing third-party assets through investment funds, whose net assets as of December 31, 2008 and 2007 are R$238,080 and R$241,205, respectively.

b) Despite the low risk exposure as a result of their assets not being physically concentrated, the Bank and its subsidiaries have insurance for their assets in amounts considered sufficient to cover potential losses.

c) Relationship with Auditors: in conformity with CVM Instruction No. 381, of January 14, 2003, we inform herein that the firm engaged to audit the financial statements did not provide non-audit services to the Bank. Our policy for contracting technical and professional services of independent auditors assures that no conflict of interest exists, and independence or objectivity is not impaired.

29. CHANGES IN TAX AND CORPORATE LEGISLATIONS

a) On December 28, 2007, Law No. 11638/07 effective January 2008 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law (Law No. 6404 of December 15, 1976).

The purpose of said Law is to eliminate certain regulatory barriers that prevent the full insertion of Brazilian companies in the convergence toward the international accounting standards, increase the transparency of the financial statements as a whole, and allow the Brazilian Securities and Exchange Commission (CVM), the Central Bank of Brazil and the Accounting Policies Committee (CPC) to disclose new accounting standards and procedures consistent with international accounting standards.

The Bank and the other entities of the financial group are adopting for the first time Law 11638/07 and Provisional Act 449/08 in their financial statements for the year ended December 31, 2008. The accounting practices changed by the Law, applicable to the Bank's individual and consolidated financial statements, are as follows:

- Permanent assets will include the account group "intangible assets" and will encompass rights in intangible assets maintained or used in the operation of the entity's business.

- Property and equipment will include assets resulting from transactions that transfer the benefits, risks and control of such assets, regardless of ownership transfer;

- Deferred charges will be restricted to preoperating expenses and structuring costs;

- The parameter for assessing investments in affiliates under the equity method should be applied to all affiliates where the investor has significant influence. Significant influence is defined as interest of at least 20% in the voting capital (previously the percentage was based on total capital). According to BACEN regulations, this change only went into effect on January 1, 2009 for financial institutions; however, this change will not result in significant changes as regards the Bank's investments;

- Creation of a new account group, valuation adjustments to shareholders' equity, in order to record foreign exchange rate changes on foreign when the investee's functional currency is different from the parent's functional currency, and record increases or decreases in the amount attributed to assets and liabilities, as a result of their measurement to fair value. As the functional currency of investments held by the Bank and its subsidiaries is the same of the Bank and such investments are extensions of the Bank's business, this change did not cause any adjustment;

- Requirement that certain long-term assets and liabilities be recorded at present value, and, if material, for certain other short-term assets and liabilities. As established by explanatory note to CVM Instruction 469, the purpose of this change is not to eliminate future income or charges embedded in monetary assets and liabilities, but the need to obtain their amounts when the transaction is contracted. The Bank's and its subsidiaries' transactions are already stated at their amounts at the time of their realization.

  Fixed rate asset and liability financial instruments are adjusted to present value by the existence of the accounts unearned income and unincurred expenses, which adjust these transactions to the amounts that would be obtained as if they were cash transactions, and floating rate financial instruments are realized at their cash amount and are periodically adjusted by their related rates. Accordingly, the adjustment to present value of long-term asset and liability financial instruments, and material short-term instruments, did not result in any adjustment for the Bank or its subsidiaries;

- Requirement for periodic analysis of the recoverability of amounts recorded in property and equipment, intangible assets and deferred charges. Management analyzed the amounts recorded as of December 31, 2008 under these captions and did not identify any adjustment.

b) Adjustments resulting from the application of Law 11638/07 on the financial statements as of December 31, 2007.

For a better comparability of the financial statements, certain reclassifications have been made to permanent assets as of December 31, 2007, due to the first-time adoption of Law 11638/07, as follows:

	December 31, 2007		
	Bank		
	Prior balance	**Adjustment**	**Reclassified balance**
Intangible assets	**-**	**142**	**142**
Intangible assets	-	338	338
(Accumulated amortization)	-	(196)	(196)
Deferred charges	**142**	**(142)**	**-**
Organization and expansion costs	338	(338)	-
(Accumulated amortization)	(196)	196	-
	Consolidated		
	Prior balance	**Adjustment**	**Reclassified balance**
	-	**155**	**155**
Intangible assets	-	442	442
Intangible assets	-	(287)	(287)
(Accumulated amortization)			
Deferred charges	**155**	**(155)**	**-**
Organization and expansion costs	442	(442)	-
(Accumulated amortization)	(287)	287	-

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ISSUER

PRINCIPAL OFFICE OF
BANCO DAYCOVAL S.A.
Av. Paulista, 1793, Jardim Paulista
01311-200, São Paulo, SP
Brazil

REGISTERED OFFICE OF
BANCO DAYCOVAL S.A., CAYMAN ISLANDS BRANCH
P.O. Box 1034
Harbour Place, 4th Floor
103 South Church Street
Grand Cayman KY1-1102
Cayman Islands

AUDITORS OF THE ISSUER

Deloitte Touche Tohmatsu Auditores Independentes
Rua Alexandre Dumas, 1981
04717-906, São Paulo, SP
Brazil

AGENTS

REGISTRAR, FISCAL AGENT AND CALCULATION AGENT

The Bank of New York Mellon
101 Barclay Street
Floor 4E
New York, NY 10286

PRINCIPAL PAYING AGENT

The Bank of New York Mellon Trust (Japan), Ltd.
Fukoku Seimei Building, 6F 2-2-2
Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011
Japan

PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

IRISH PAYING AGENT AND LISTING AGENT

The Bank of New York Mellon (Ireland) Limited
Hanover Building
Windmill Lane
Dublin 2
Ireland

LEGAL ADVISERS

To the Issuer
as to English law

Proskauer Rose LLP
Rua São Tomé, 86, 17th Floor
04551-080 São Paulo - SP
Brazil

To the Issuer
as to Brazilian law

Campos Mello Advogados
Av. Pres. Juscelino Kubitschek, 360, 10th Floor
04543-000 São Paulo - SP
Brazil

To the Dealer and Arranger
as to English law

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019
USA

To the Dealer and Arranger
as to Brazilian law

Souza, Cescon, Barrieu & Flesch Advogados
Fua Funchal, 418, 11th Floor
04551-060 São paulo - SP

To the Dealer and Arranger
as to Cayman Islands law

Walkers
Walkers House, 87 Mary Street
George Town, Grand Cayman KY1-9001
Cayman Islands