U.S.$500,000,000

Banco do Estado do Rio Grande do Sul S.A.

(incorporated in the Federative Republic of Brazil)

7.375% Subordinated Notes due 2022

We are offering U.S.$500,000,000 aggregate principal amount of 7.375% subordinated notes due 2022, or the notes. The notes will mature on February 2, 2022. Interest on the notes will accrue from and including February 2, 2012 and will be payable semi-annually in arrears on February 2 and August 2 of each year, commencing on August 2, 2012. See "Description of the Notes—General."

The notes will be our unsecured and subordinated obligations. Payment of principal on the notes may be accelerated only in the case of certain events involving our bankruptcy, liquidation or dissolution or similar events, and we will only be required to make payment on acceleration after we have been declared bankrupt, put into liquidation or otherwise dissolved for purposes of Brazilian law. There will be no right of acceleration in the case of a default in the performance of any of our covenants, including the payment of principal or interest in respect of the notes. We may redeem the notes in whole but not in part, at their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date at any time in the event of certain changes affecting taxation, subject to the Brazilian Central Bank (*Banco Central do Brasil*), or the Central Bank, approval.

If we are not in compliance with operational limits required by current or future regulations generally applicable to Brazilian banks, or the risk-based capital requirements, or if the payment of interest or principal (and any other amounts payable in respect thereof) would cause us to fail to be in compliance with those operational limits, we may defer that payment of interest or principal (and any other amounts payable in respect thereof) until we are in compliance with those operational limits and the payment of interest or principal (and any other amounts payable in respect thereof) would no longer cause us to fail to be in compliance with those operational limits. See "Description of the Notes— Deferral of Interest and Principal."

Investing in the notes involves risks. See "Risk Factors" beginning on page 18.

Application has been made to list the notes on the Official List of the Irish Stock Exchange and application for admission to trading has been made on the Global Exchange Market of the Irish Stock Exchange.

Price: 99.131% of the principal amount

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

We expect that the notes will be ready for delivery in book-entry form through The Depository Trust Company, or DTC, and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking S.A., Luxembourg, or Clearstream, on or about February 2, 2012.

Joint Bookrunners

Credit Suisse **Deutsche Bank**

The date of these listing particulars is February 2, 2012.

In these listing particulars, unless the context otherwise requires, references to "we," "our," "us," "ourselves," the "Issuer," "Banrisul" or to the "Bank" mean Banco do Estado do Rio Grande do Sul S.A., a mixed-capital company (*sociedade de economia mista*) organized as a corporation (*sociedade por ações*) under the laws of the Federative Republic of Brazil, or Brazil, and its consolidated subsidiaries.

You should rely only on the information contained in these listing particulars. We, Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc., or the initial purchasers, and their affiliates have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the initial purchasers are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. This document may only be used where it is legal to sell the notes. You should assume that the information appearing in these listing particulars is accurate only as of the date on the front cover these listing particulars. Our business, financial condition, results of operations and prospects may have changed since that date.

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

We have prepared these listing particulars for use solely in connection with the proposed offering of the notes outside of Brazil.

The notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the notes and the notes have not been nor will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385, dated as of December 7, 1976, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil.

The notes will not be offered or sold in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation. Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

We have prepared these listing particulars solely for use in connection with the proposed offering of the notes, and it may only be used for that purpose. We and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by these listing particulars.

We, having made all reasonable inquiries, confirm that the information contained in these listing particulars is true and accurate in all material respects, that the opinions and intentions we express in these listing particulars are honestly held, and that there are no other facts the omission of which would make these listing particulars as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly. These listing particulars contain summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual documents, all of which will be made available to you upon request to us when available, for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference. In making an investment decision, you must rely on your own examination of our company and the terms of the offering and the notes, including the merits and risks involved.

We are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes under any legal investment or similar laws or regulations. You should not consider any information in these listing particulars to be legal, business or tax advice. You should consult your own

attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

Application will be made to list the notes on the Official List of the Irish Stock Exchange and application for admission to trading has been made on the Global Exchange Market of the Irish Stock Exchange.

This offering memorandum constitutes listing particulars for the purposes of the Irish Stock Exchange Guidelines and for admission to the Irish Stock Exchange. The Irish Stock Exchange takes no responsibility for the contents of these listing particulars, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of these listing particulars.

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

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

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

Pursuant to article 7, paragraph 1 of Resolution No. 3,444, issued by the National Monetary Council (*Conselho Monetário Nacional*), or CMN, on February 28, 2007, as amended, or Resolution 3,444/07, any provision of these listing particulars that conflicts with the terms of subordination (*núcleo de subordinação*) that sets out the subordination terms and conditions of the notes, and is a part of the indenture governing the notes, shall be null and void.

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

NOTICE TO INVESTORS IN BRAZIL

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE CVM. THE NOTES MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. DOCUMENTS RELATING TO THE OFFERING OF THE NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY OFFER OR SALE OF THE NOTES TO THE PUBLIC IN BRAZIL.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO INVESTORS

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

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FORWARD-LOOKING STATEMENTS

These listing particulars contain statements that constitute forward-looking statements within the meaning of the Securities Act and the Securities and Exchange Act of 1934, as amended, or the Exchange Act. These statements appear throughout these listing particulars, principally in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Such estimates and forward-looking statements are primarily based on current expectations and projections about future events and financial trends that affect, or may affect, our business, financial condition, results of operations and prospects.

There are many significant risks, uncertainties and assumptions that might cause our business, financial condition, results of operations, liquidity and prospects to differ materially from those set out in our estimates and forward-looking statements, including matters such as, and include statements regarding our or our officers' intent, belief or current expectations with respect to, among other things, the use of proceeds of this offering, our financing plans, trends affecting our financial condition or results of operations, the impact of competition and future plans and strategies. These statements reflect our views with respect to such matters and are subject to risks, uncertainties and assumptions, including, among other factors:

- general economic, political and business conditions, both in Brazil and abroad;
- implementation of our business and our expansion strategies and investment plans;
- our level of capitalization;
- decrease in deposits or other sources of funds, reduction in number of clients and decrease in revenues;
- competition in Brazilian banking, financial services and related activities;
- any change in our position as the sole official bank and principal financial agent of the State of Rio Grande do Sul;
- the interests pursued by, and any changes in, the government of the State of Rio Grande do Sul, our controlling shareholder;
- the market value of securities of the government of Brazil, or the Brazilian Government, that we hold;
- fluctuations in inflation rates, interest rates and exchange rates, among other macroeconomic indicators, which may have an adverse effect on our margins;
- increases in defaults by borrowers and other loan delinquencies and increases in the provision for loan losses;
- credit and other risks of lending, investing and conducting our activities;
- income from new products and services;
- changes in the applicable laws and governmental regulations, particularly the rules of the Central Bank's related to us and our lending and other activities, and tax matters;
- unfavorable legal or regulatory developments; and
- other risk factors as set forth under "Risk Factors."

The words "believe," "could," "may," "estimate," "continue," "potential," "anticipate," "intend," "expect," "will," "should" and "plan," among others, are intended to identify forward-looking statements. Forward-looking statements speak only as of the date they were made and neither we nor the initial purchasers undertake to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in these listing particulars might not occur. Any such forward-looking statements are not guarantees of future performance. As a result, prospective investors should not make an investment decision based on the forward-looking statements contained in these listing particulars. We and the initial purchasers do not make any representation as to the accuracy of such information and also do not undertake any obligation to update such information.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

General

We maintain our books and records in *reais*. Our operations are based primarily in Brazil, and each of our consolidated financial statements as of and for the years ended December 31, 2010, 2009 and 2008 and our unaudited consolidated financial statements as of and for the nine-month periods ended September 30, 2011 and 2010, in each case together with the notes thereto and included elsewhere in these listing particulars, are expressed in *reais* and have been prepared in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank, or Brazilian GAAP, which consider the accounting guidelines included in Brazilian Law No. 6,404/76, as amended, or the Brazilian Corporate Law, which sets forth the accounting method required to be followed by Brazilian corporations and the changes introduced by Law No. 11,638/07 and Law No. 11,941/09, as amended, and accounting standards issued by the CMN and the Central Bank, which has the power to establish accounting rules applicable to financial institutions subject to its regulation.

The financial information contained in these listing particulars includes:

- our consolidated financial statements as of and for the years ended December 31, 2010, 2009 and 2008, prepared in accordance with Brazilian GAAP and audited by Deloitte Touche Tohmatsu Auditores Independentes, or Deloitte. These financial statements and the audit reports are also included elsewhere in these listing particulars;

- our unaudited consolidated financial statements as of and for the nine-month period ended September 30, 2010, prepared in accordance with Brazilian GAAP, which were subject to a limited review by Deloitte. These financial statements and the limited review report is also included elsewhere in these listing particulars; and

- our unaudited consolidated financial statements as of and for the nine-month period ended September 30, 2011, prepared in accordance with Brazilian GAAP, which were subject to a limited review by Ernst & Young Terco Auditores Independentes S.S, or Ernst & Young. These financial statements and the limited review report is also included elsewhere in these listing particulars.

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 No. 449, converted into Law No. 11,941 of May 28, 2009, amended the Brazilian Corporate Law and introduced the process of convergence into International Financial Reporting Standards, or IFRS. As part of the convergence process, throughout 2008, 2009, 2010 and 2011, the Brazilian Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*), or the CPC, issued standards relating to the convergence of Brazilian GAAP with IFRS. Although all of these standards have been approved by the CVM, they have not yet all 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 No. 3,566/08);

- CPC 03 — Statements of cash flows (Central Bank Resolution No. 3,604/08);

- CPC 05 — Related party transactions (Central Bank Resolution No. 3,750/09);

- CPC 10 — Share based payments (Central Bank Resolution No. 3,989/11, effective from January 2012);

- CPC 23 — Accounting policies, changes in accounting estimates (Central Bank Resolution No. 4,007/11, effective from January 2012);

- CPC 24 — Subsequent events (Central Bank Resolution No. 3,973/11); and

- CPC 25 — Provisions, contingent liabilities and contingent assets (Central Bank Resolution No. 3,823/09).

Special Purpose Financials

In accordance with CMN Resolution No. 3,786 of September 24, 2009, or Resolution No. 3,786,certain financial institutions were required to apply IFRS accounting standards to their annual consolidated financial statements commencing in the year ended December 31, 2010. As a result, commencing with our consolidated financial statements as of and for the year ended December 31, 2010, we also have prepared special purpose consolidated financial statements as per item I of Circular Letter No. 3,435, issued by the Central Bank on March 18, 2010, or Circular Letter No. 3,435. These special purpose financial statements were prepared in accordance with the standards set by the International Accounting Standards Board, or IASB, and according to these practices, January 1, 2010 is the start date for the financial period used to prepare them. Because we have decided to use Option I of Circular Letter No. 3,435, these financial statements are considered special purpose financial statements because they do not include comparative consolidated financial statements and related comparative disclosures as required under IFRS and so, do not represent the first complete set of IFRS financial statements. Our special purpose consolidated financial statements as of and for the year ended December 31, 2010 are not comparable with those prepared in accordance with Brazilian GAAP and are not included in the listing particulars. In making an investment decision, investors must rely upon their own examination of our business, the terms of the notes and the financial information. Potential investors should consult "Description of Certain Differences Between Accounting Practices Adopted in Brazil and International Financial Reporting Standards" below and their own professional advisors for an understanding of the differences between Brazilian GAAP and IFRS and how those differences might affect the financial information herein.

Change in Auditors

In the first quarter of 2011, our board of directors approved the engagement of Ernst & Young as our independent accounting firm for the year ended December 31, 2011 upon termination of the legal term for our previous auditors. We hired Ernst & Young using the Competition 97/2010 bidding process, in compliance to the provisions of Law No. 8666 of June 21, 1993, which contains the rules for bidding and making public contracts with public companies. Because we are a mixed-capital company directly controlled by the State of Rio Grande do Sul, we are subject to these rules.

Market Information

The statistical information and data related to our business areas were obtained from the Brazilian Government or sectorial entities or extracted from general publications. Such data has been accurately reproduced and, as far as we can ascertain from data published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, such data have not been independently verified, and neither we nor the initial purchasers make any representation as to the accuracy of such data.

Rounding

We made certain rounding adjustments in calculating some of the figures included in these listing particulars. Accordingly, numerical figures shown as totals or percentages in some tables may not agree precisely with the figures that precede them.

Exchange Rates

Solely for the convenience of the reader, we have converted certain amounts contained in these listing particulars from *reais* into U.S. dollars. Except as otherwise expressly indicated, the rate we used to convert these amounts was R$1.8544 to U.S.$1.00 (subject to rounding adjustments), which was the selling exchange rate in effect as of September 30, 2011 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 presented in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. The criteria used to convert certain amounts from *reais* into U.S. dollars differ from the criteria established by International Accounting Standards (IAS) 21—The Effects of Changes in Foreign Exchange Rates. The *real*/U.S. dollar exchange rate may fluctuate, and the exchange rate as of September 30, 2011 may not be indicative of future exchange rates. See "Exchange Rate Information" for information regarding *real*/U.S. dollar exchange rates.

SUMMARY

This summary highlights information contained elsewhere in these listing particulars. It does not contain all of the information that an investor should consider before making a decision to invest in the notes. For further information on our activities and this offering, this summary must be read together with the detailed information included in the other sections of these listing particulars, in particular the information included in "Presentation of Financial and Other Information," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," the audited consolidated financial statements as of and for the years ended December 31, 2010, 2009 and 2008 and the unaudited consolidated financial statements as of and for the nine-month periods ended September 30, 2011 and 2010 included elsewhere in these listing particulars.

General

We are a Brazilian multiple-service bank founded in 1928 and controlled by the State of Rio Grande do Sul, which owns 56.97% of our 408.97 million total shares and 99.59% of our 205.0 million voting shares. As of September 30, 2011, we were one of the three most profitable of the 20 largest Brazilian banks (based on total assets) in terms of return on shareholders' equity, according to the Central Bank data. With over 440 branches, 279 banking service stations (stations located in government or private corporate buildings and are designed to provide all banking services for such governmental or private entity) and 553 electronic service stations (self-service stations linked to our banks, as opposed to a business), we believe that we have the largest banking network in the State of Rio Grande do Sul according to Central Bank, and we believe that we have the largest customer base of any bank operating in that state. As of September 30, 2011, according to the Central Bank, we were the 11th largest Brazilian bank in terms of total assets, the 3rd largest Brazilian public financial institution in terms of total assets, the 8th largest Brazilian bank in terms of total deposits, and the 11th largest financial institution in terms of shareholders' equity.

We focus our banking services on the needs of retail customers, small- and medium-sized companies and public sector entities. We offer a wide range of financial products and services such as: (i) personal loans (consumer loans extended directly to individuals and payroll-deduction loans); (ii) real estate loans; (iii) long-term financing (using our funds and funding from other government institutions); (iv) lines of credit for the agricultural and cattle-raising sectors; (v) general business lines of credit; (vi) savings deposits, demand deposits and time deposits; and (vii) asset management for third-party funds. We are focused on our payroll-deduction loans and real estate financing, as we believe payroll-deduction loans are low risk and high margin products, and real estate financing offers numerous opportunities for cross-selling and building a loyal customer base. Payroll-deduction loans (loans made to state and other public sector employees and repaid through salary deductions) and real estate financing comprise our main lending activities and represent the two classes of credit activities that grew the most in Brazil in 2009 and 2010 (at rates of 175% and 45%, respectively), according to the Central Bank.

Our operations are concentrated in southern Brazil, particularly in the State of Rio Grande do Sul, which accounted for 6.52% of Brazil's GDP as of December 31, 2010, according to the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE. In addition, as of December 31, 2010, the State of Rio Grande do Sul had a per capita income that exceeds the national average by 15%, according to the Economics and Statistics Foundation (*Fundação de Economia e Estatística*), or FEE, and the IBGE. We provide banking services in 414 of Rio Grande do Sul's 496 municipalities. We have over 2.6 million account holders with approximately 4.8 million demand and savings accounts throughout Rio Grande do Sul.

The State of Rio Grande do Sul is our controlling shareholder, and we are its sole official and principal financial agent. By state law, we are given the responsibility for the receipt of state tax payments and the transfer of a portion of these collected taxes to the state's municipalities. Additionally, we act as a paying agent to the state's goods and services suppliers, as well as to active and retired public servants, pursuant to an agreement between us and the state government. By state law, we are responsible for collecting the *Imposto Sobre Circulação de Mercadorias e Prestação de Serviços* (Value Added Tax on Goods and Services, or ICMS tax), and for the transfer of these tax revenues to the municipalities of Rio Grande do Sul.

In 1998, we created Banricompras, a debt card service which 2.6 million of our customers use to pay for their purchases in installments at approximately 97,976 affiliated stores. Through this system we can integrate our individual and corporate clients and cultivate customer loyalty. On October 6, 2011, Banricompras announced that it would offer Visa card services, including credit, debt and pre-payment cards. As of

September 30, 2011, approximately 56 million transactions totaling approximately R$3.9 billion were made using this system.

The tables below set forth our principal operational and financial indicators as of the dates and for the periods indicated.

	As of and for nine-month period ended September 30,		As of and for year ended December 31,		
	2011	2010	2010	2009	2008
	(in R$ million, except percentages, number of clients and number of service centers)				
Total assets	36,554	32,339	32,128	29,084	25,205
Loan portfolio[1]	19,655	16,237	17,033	13,414	11,454
Managed funds[2]	6,595	6,141	6,038	5,532	4,802
Funding[3]	30,109	26,779	26,611	24,206	20,693
Deposits	20,910	17,954	19,053	16,370	14,256
Shareholders' equity	4,298	3,746	3,855	3,409	3,079
Basel Index[4]	15.91%	15.82%	16.07%	18.08%	20.70%
Net income	678	511	741	541	591
Gross income from financial operations[5]	1,997	1,736	2,396	2,120	1,722
Other operating income	200	128	209	144	193
Efficiency index[6]	44.20%	48.79%	47.76%	52.01%	56.75%
Return on average assets (ROAA)[7]	1.97%	1.67%	2.42%	2.00%	2.60%
Return on average Shareholders' equity (ROAE)[8]	16.62%	14.29%	20.40%	16.68%	20.13%
Number of clients (in millions)[9]	2,620	2,645	2,597	2,435	2,970
Service centers[10]	719	717	715	710	717

(1) Includes lending operations, lease and other credit transactions, including foreign exchange transactions.
(2) The management of third party funds through investment funds and managed funds.
(3) Includes deposits, money market funding, interbank and interbranch accounts, borrowings and onlendings, derivatives and the Reserve Fund for Judicial Deposits (*Fundo de Reserva de Depósitos Judiciais*), or FRDJ.
(4) The Basel ratio is the ratio of capital base (*Patrimônio de Referência*) and the weighted risk. It is calculated by dividing the adjusted net assets by the weighted risk (as determined by Central Bank regulations). See "Regulation of the Brazilian Banking Industry—Limitations and Restrictions on Financial Institutions—Regulatory Capital and Shareholders' Equity Standards."
(5) This is total income from financial intermediation minus total expenses from financial intermediation, i.e. the banking results (resulting from the revenues of the banking products offset by the financial costs associated with the provision of credit).
(6) The Efficiency index is computed as the proportion, expressed as a percentage, between (i) the sum of personnel expenses and other administrative expenses and (ii) the sum of gross income from financial operations before the allowance for loan losses, income from services rendered, bank fees income and our other income/expenses. The Efficiency index is not defined under Brazilian GAAP or other regulations, and it does not have a standardized definition. Our definition of the Efficiency index may not be comparable to the Efficiency index used by other banks. The Efficiency index is used by our management to measure our operational performance.
(7) Return on average assets is calculated as net income earned during the accounting period divided by our average assets (which is an average of the value of our assets as of September 30, 2011 plus the value of our assets as of December 31, 2010), and in 2008, 2009 and 2010 average assets were determined by finding the sum of (i) the assets as of December in the previous year and (i) the assets as of December in the current year and dividing the total by two.
(8) Return on average equity is calculated as net income earned during the accounting period divided by our average equity (which is an average of the value of our equity of September 30, 2011 plus the value of our equity as of December 31, 2010), and in 2008, 2009 and 2010 average assets were determined by finding the sum of (i) the equity as of December in the previous year and (i) the equity as of December in the current year and dividing the total by two.
(9) Total clients – individuals and corporations.
(10) This includes the number of branches and officers.

Our Strengths

We believe our principal strengths are:

Solid record of profitability and low cost and stable funding

Over the past four years, we were among Brazil's most profitable banks in terms of return on shareholders' equity according to the Central Bank. As of September 30, 2011, our return on average shareholders' equity measured in terms of total assets was 22.8%, which was higher than the average of 22.4% for the 20 largest Brazilian banks, according to the Central Bank.

Our funding sources mainly include time, savings and demand deposits the majority of which are provided by our retail customers (individuals and corporations) rather than our institutional investors. Our policies are designed to attract small and medium sized clients, reduce financial costs and diversify our funding sources. Unlike most of the similarly sized banks, we have diverse funding sources that allow us to obtain funding at competitive costs without relying on institutional investors. Additionally, because we obtain funding from a variety of sources, we are less exposed to a potential decrease in any type of funding.

A service network with potential to generate new business and flexibility to expand our loan portfolio and explore new or under-served niche markets

We have access to a broad and diversified customer base (including individuals and corporations, especially micro-, small- and medium-size companies) through our service and Banricompras networks. Through Banricompras, our customers conducted 56 million transactions, totaling R$3,909 million, for the nine-month period ended September 30, 2011. These figures represent a 9.67% increase in the number of transactions performed and a 15.66% increase in total transaction volume compared with the nine-month period ended September 30, 2010. Part of our business strategy is to strengthen the Banricompras Network, increasing the number of merchant stores affiliated with Banricompras and providing shop owners and customers with various payment options.

This access to a broad customer base enables us to generate new business and provides us with an opportunity to cross-sell our products and services. Through our real estate financing, we have been able to establish a loyal customer base which is engaged in making payments throughout the length of the mortgage. We are able to use this relationship to provide other products and services to our customer base, which is already familiar with and is already a client of our products and services, including our credit cards, insurance, private pension plans and other credit lines. It also provides us with a competitive advantage by positioning us to take advantage of Brazil's economic growth and increased demand for credit in the State of Rio Grande do Sul. For the six-month period ended June 30, 2011, the State's GDP had increased by 6.7% when compared to the same period ended June 30, 2010, which was higher than the 4.0% increase in the country's GDP. Rio Grande do Sul has a strong export industry, and the State's growth partially reflects the dynamic global economy. Rio Grande do Sul has also seen increased investments in infrastructure, such as road construction, development of alternative energy sources and technological development, among others. We believe that these increases in investments signal favorable prospects for the future development of the region. The region continues to exhibit strong results in the agricultural sector, including increases in productivity and continued favorable climatic conditions.

The Brazilian banking industry has grown significantly in recent years, as evidenced by the increased volume of lending transactions (the compounded annual growth rate, or CAGR, of which was 19.1% in Brazil from 2008 to 2010) and personal loans (the CAGR of which was 20.8% during the same period), according to the Central Bank. This growth trend has continued during the third quarter of 2011, with a CAGR in Brazil for lending transactions and personal loans reaching 11.7% and 11.2%, respectively.

Strong presence and brand recognition in Brazil's southern region, especially in Rio Grande do Sul

Our operations are focused in Brazil's southern region, particularly the State of Rio Grande do Sul. In 2010, Rio Grande do Sul had Brazil's fourth-largest GDP among all Brazilian states and a per capita income that was 15.0% higher than the national average, according to the FEE and IBGE. We are present in 414 of the state's 496 municipalities. The brand "Banrisul" is widely recognized among the state's population, and according to the "Top of Mind 2011" study conducted by Revista Amanhã, we are the most remembered bank in Rio Grande do Sul. Our brand recognition, combined with our strong presence throughout the state, makes us well-positioned to compete with other financial institutions operating in the state.

Strong financial performance evidenced by the quality of our assets

As of September 30, 2011, 2.88% of the total amount of loans in our outstanding loan portfolio was past-due. This ratio was considerably lower than the average of 5.5% in the Brazilian banking market as of September 30, 2011, according to the Central Bank. We believe that this indicator is the result of our conservative lending policies, efficient credit approval and monitoring systems coupled with our knowledge of the Rio Grande do Sul market. Furthermore, our solid financial performance is also evidenced by our ratio of allowance for loan losses to outstanding loan portfolio (6.5% as of September 30, 2011) which, according to the Central Bank, was higher than the 5.6% average for the Brazilian banking sector as of that date.

Solid relationship with State governmental entities

We are the sole official bank and principal financial agent of the State of Rio Grande do Sul, our controlling shareholder, which directly and indirectly holds 56.97% of our total capital stock (99.59% of our total voting capital stock). By law and contract, we are responsible for the collection of taxes, transfer of state funds and the administration of payments to state public servants, retirees and suppliers. We also provide services to state governmental entities, as well as to the majority of Rio Grande do Sul's municipal

governments. Services provided to these entities also include tax collection, fund transfers among municipalities and government and supplier payroll administration.

We believe that we have an excellent relationship with the public sector in Rio Grande do Sul. This relationship is a competitive advantage to conduct our activities in the state and our access to both active and retired government employees. It also allows us to expand our payroll-deduction loan portfolio, which is made up of loans to active and retired government employees and has a significantly lower average default rate compared with other types of personal loans. Furthermore, our broad network of branches and banking service stations reinforces our presence in and our relationship with the municipalities of Rio Grande do Sul.

Management model focused on results, accountability and a commitment to transparency and operational controls

We have developed a business model that is focused on measuring the profitability of each transaction thereby allowing us to enhance our overall profitability. This model establishes specific goals for our employees, each of our branches and our business as a whole. We aim to increase the profits derived from each of our clients by analyzing the impact of offering additional services to them. Under our business model, we emphasize the sale of products and services selected and approved by our Board. Additionally, we have an expenditure control model to improve our efficiency index, under which the Board creates our spending policies. The models are revised and reviewed every six months based on our results.

Each employee with responsibility for client services is aware of the goals we set and is encouraged to exceed them. Our employees' compensation is impacted by their ability to meet the goals that we set based upon the contribution margin, history and potential of each department's customers. In addition, each of these employees has regular access to performance evaluations. This system encourages employee productivity and allows us to evaluate each client service employee and each branch. Our management and supervision is centralized, resulting in more efficient control of our assets and liabilities.

In 2011, we created the Board of Risk and Control to further our risk management goals and to adhere to best market standards. We also have a Corporate Risk Unit which has assisted in the creation of more comprehensive risk management policies. We believe that these new groups will provide us with greater operational control and increased efficiency. For further information on our risk management policies and these groups, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Risk."

Our Strategies

We intend to employ the following strategies to seek to generate growth and enhance our profitability:

Accelerate the growth of our loan portfolio in a prudent and sustainable manner

We seek to expand our loan portfolio by taking advantage of our diversified sources of funding, the growth of the Brazilian banking sector and the increased use of banking services by low-income segments of the population. We expect to be able to continue to access funds at relatively low cost from our diversified funding sources in order to expand our loan portfolio.

The volume of lending activity in Brazil continues to increase as macroeconomic conditions improve and interest rates decrease. We intend to use our strategic position to take advantage of this trend, expanding our client base and our loan portfolio, especially payroll-deduction and real estate loans, to offset the reduction of our spreads, through a higher volume of lending operations. We have recently developed a credit line specifically for the acquisition, construction, renovation and expansion of residential and commercial properties.

We intend to continue managing our funding and lending activities in order to avoid any material disparity between our assets and liabilities. However, we do not believe that this management strategy will hinder our growth since our diversified funding sources provide us with the stability to maintain and expand our lending portfolio. Additionally, we intend to increase our lending of certain low-risk products, such as payroll-deduction loans (given that the default rates for payroll deductions are lower than most other credit products available to individuals) and real estate loans (in which transactions are secured by mortgages or the transfer of property deeds in trust). Additionally, both payroll deductions and real estate financing have a stable client base and present opportunities for cross-selling our products and services.

We have also partnered with MasterCard, Visa and VerdeCard, which we believe will increase access to our banking services and expand our customer base. We also have an agreement with the SafetyPay system for international purchases through Amazon.com. As customers sign up for our credit card products, we will be able to cross-sell our other products and services.

We have also begun to create more comprehensive client profiles, which allow us to create products catered towards our client needs. These profiles will allow us to focus on our most important clients in order to provide them a range of services that fit their needs. They will also allow us to cater our offerings and products to these clients in order to continue to increase our business. For example we plan to use these profiles to offer our Gold and Platinum credit cards to our high-income customers. We estimate that these new profiles will be fully implemented by the end of 2012.

Maintain our strong position in Rio Grande do Sul, and expand into the State of Santa Catarina and other states and municipalities in the southern region of Brazil and expand the range of products we offer

Rio Grande do Sul will remain the principal geographic focus of our activities. We have an extensive presence throughout the state, coupled with strong and widespread brand recognition, the support of the state government, and an ability to build on the services currently used by our clients in order to maximize revenues from our current client base. We will continue to increase customer access to our services through improved branches and points of services. We also plan to expand our corporate customer segment and the volume of commercial credit. In addition to expanding customer access to branches and points of service, we also plan to improve the quality of customer service we provide. We have begun training programs for our sales associates and managers to increase their knowledge of our products so that they may better serve our customers.

We are focusing on the expansion of the service network is in the southern region of Brazil. Currently, we plan to open 35 new branches in locations where Banrisul is already present and 21 new branches in new municipalities, and we plan to transform 48 service stations into full small size branches in the State of Rio Grande do Sul. We also plan to open seven new branches in the State of Santa Catarina.

We and MatoneInvest Holding S.A. recently entered into a memorandum of understanding to purchase 49.9% and 50.1%, respectively, of the shares of Bem-Vindo Promotora de Vendas e Serviços S.A., or Bem-Vindo, a private corporation headquartered in Rio de Janeiro which originates loans on behalf of Banco Original S.A. and provides payroll lending services. Bem-Vindo has 73 branches throughout Brazil, and we believe that this acquisition will allow us to nationally expand our distribution network.

We will continue to develop new products for both individuals and corporations that will allow us to increase and deepen our market share in existing niches, maximize synergies between new and existing services and increase our customer base. We also intend to identify, develop and distribute products in which we believe our customer base is interested, such as vehicle financing, as well as services for segments of the population that currently lack access to banking services.

Strengthen our relationship with state governmental agencies and consolidate our presence in the public sector

Given that our controlling shareholder is the State of Rio Grande do Sul, a significant part of our business strategy includes providing banking services and loans to state and municipal employees. These services generate revenue and also allow us to provide additional services to government employees, particularly payroll-deduction loans, other loans and other banking services. We currently have a credit card for public sector employees which we market through agreements with the State of Rio Grande do Sul, the State judiciary and the municipal governments by offering a variety of policies including reduced annual rates and increased benefits for using the Program Banriclube Advantage card. As a government-controlled bank, we expect to continue to strengthen and enhance our relationship with various public sector entities in Rio Grande do Sul.

Invest in technology to reduce costs, obtain economies of scale and promote productivity

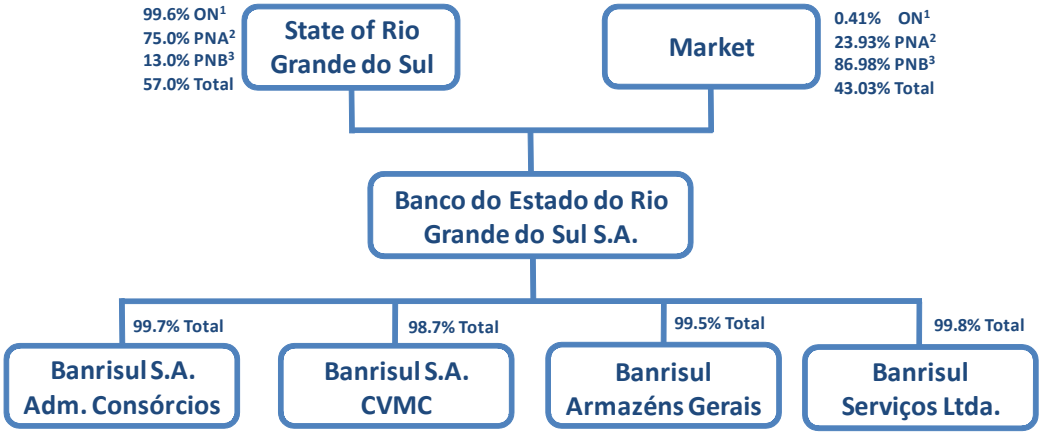
From January 1, 2008 through December 31, 2010, we invested approximately R$569.6 million in technology, principally to modernize our computer hardware and software. These investments have allowed us to adapt our network to our new business model and expand our processing capacity. In addition, we have recently created a separate department for our information technology services to ensure that these investments will standardize processes, lower operating costs, generate greater economies of scale and ease in monitoring our operations and operational efficiency. Our capital expenditure budget provides for additional investments of

approximately R$528.8 million in information technology for the period from January 1, 2011 to December 31, 2013.

We have a successful track record in using information technology to develop new products. Examples of this strategy include our implementation of the Banricompras network, which offers banking services through mobile telephones to low-income individuals who have historically lacked access to the banking system. In addition, to ensure security and prevent and combat fraud in our Banricompras network and our other networks, Banrisul has agreements with third party service provides which contain policies, processes and procedures to standardize safety norms. We also mapped the entire Banricompras network in and effort to acquire the Payment Card Industry, or PCI, certification, which provides best practices for security in electronic payment transactions using debit and credit cards. We have made several improvements to the Web POS (Internet sales) system to ensure our high safety standards.

Ownership Structure

The organizational chart below sets forth an overview of the Bank's corporate structure as of September 30, 2011, including its shareholders and subsidiaries:



(1) Common Shares
(2) Preferred Class A Shares
(3) Preferred Class B Shares

Our corporate headquarters are located in the city of Porto Alegre, State of Rio Grande do Sul, at Rua Capitão Montanha, No. 177. Our Corporate Taxpayers' Register, or CNPJ, is 92.702.067/0001-96. The telephone number of our Investor Relations office is (55-51) 3215-3232 and our website is www.banrisul.com.br. Our website is provided for information purposes only, and the information contained therein should not be considered part of these listing particulars, nor any public offering of securities.

THE OFFERING

Issuer	Banco do Estado do Rio Grande do Sul S.A.
Initial Purchasers	Credit Suisse Securities (USA) LLC and Deutsche Bank Securities Inc.
The Notes	U.S.$500,000,000 aggregate principal amount of 7.375% subordinated notes due 2022 .
Issue Price	99.131% of the principal amount, plus accrued interest, if any, from February 2, 2012.
Maturity Date	February 2, 2022, *provided*, that interest and principal payments may be deferred under the circumstances described in "—Deferral of Interest and Principal" below.
Issue Date	February 2, 2012.
Indenture	The notes will be issued under the indenture dated as of February 2, 2012 between us; The Bank of New York Mellon, as trustee, paying agent, registrar and transfer agent and The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent.
Interest	The notes will bear interest from February 2, 2012 at the rate of 7.375% per annum, or the Note Rate, payable semi-annually in arrears. Default interest will accrue at the Note Rate plus 1.0% per annum. Principal and interest amounts deferred as described in "—Deferral of Interest and Principal" below will also accrue interest at the Note Rate plus 1.0% per annum.
Interest Payment Dates	February 2 and August 2 of each year, commencing on August 2, 2012.
Deferral of Interest and Principal	If (A) we are not in compliance with the operational limits required by current or future regulations generally applicable to Brazilian banks or the risk-based capital requirements; or (B) the payment of interest on any interest payment date or any redemption date or the payment of principal on the maturity date or any redemption date would cause us to fail to satisfy the risk-based capital requirements, we shall defer that payment of interest or principal or any other amount payable in respect of the notes until the date no later than 14 days after the date on which we are no longer in violation of the risk-based capital requirements and the payment of that interest or principal amount, or any portion thereof, would no longer cause us to violate the risk-based capital requirements. The deferral of any payment will not be an event of default under the notes. Each amount in arrears will bear interest at the Note Rate plus 1.0% per annum (if it is an interest amount, as if it constituted the principal of the notes). See "Description of the Notes—Deferral of Interest and Principal."
Ranking	The notes will at all times constitute our unsecured, subordinated obligations, and, in the event we become subject to insolvency regime under Brazilian law (each, a bankruptcy event), the notes will rank: ● junior in right of payment to the payment of all our senior indebtedness; and ● *pari passu* (i) among themselves and (ii) with any liability approved by the Central Bank to be classified in the Tier 1 or Tier 2 Capital pursuant to Resolution 3,444/07, as amended, restated, consolidated

	or replaced from time to time; and ● senior to the capital stock of the Bank. Senior indebtedness means all of our liabilities other than (i) any liabilities approved by the Central Bank to be classified in the Tier 1 Capital or Tier 2 Capital pursuant to Resolution 3,444/07, as amended, restated, consolidated or replaced from time to time (respectively, Tier 1 Capital and Tier 2 Capital), and (ii) all classes of our shares. Liability means any amount payable (whether as a direct obligation or indirectly through a guarantee of a liability by such person) pursuant to an agreement or instrument involving or evidencing money borrowed or received, the advance of credit, a conditional sale or a transfer with recourse or with an obligation to repurchase or pursuant to a lease with substantially the same economic effect as any such agreement or instrument and which, under accounting principles generally accepted in the United States, would constitute a capitalized lease obligation.
Use of Proceeds.....	We intend to use the net proceeds of the issuance of the notes for general corporate purposes. Subject to the approval of the Central Bank to our treating the net proceeds of the issuance of the notes as Tier 2 Capital, we intend to further strengthen our capital base. See "Use of Proceeds."
Covenants.....	The terms of the indenture will require us, among other things, to: ● pay all amounts owed by us under the indenture and the notes when those amounts are due and perform each of our other obligations under the various transaction documents entered into by us in connection with the issuance of the notes; ● if we defer any interest or principal payments as described under "—Deferral of Interest and Principal" above, use reasonable efforts to re-enter into compliance with the risk-based capital requirements within 180 days; ● maintain all necessary governmental and third-party approvals and consents; ● maintain our books and records; ● maintain an agency in New York where notes may be presented or surrendered for payment or for exchange, transfer or redemption and where notices and demands may be served; ● give notice to the trustee of any default or event of default under the indenture, of a deferral of payment of interest or principal and of certain other events; ● replace the trustee upon any resignation or removal thereof; and ● preserve our corporate existence. In addition, the terms of the indenture will require us to meet certain conditions before we consolidate, merge or transfer either all or substantially all our assets and properties or all or substantially all our assets, properties and liabilities to another person without the consent of the holders of at least 66 2/3% of the outstanding notes. These covenants are subject to a number of important qualifications.

	See "Description of Notes—Certain Covenants."
Optional Tax Redemption.....	We may redeem the notes in whole but not in part, at their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date at any time in the event of certain changes affecting taxation, as described further under "Description of the Notes—Optional Tax Redemption."
Events of Default.....	The indenture will contain limited events of default, consisting solely of the following: ● failure to pay principal on the due date thereof, unless the principal payment is deferred as described above in "—Deferral of Interest and Principal." See "Description of the Notes— Deferral of Interest and Principal;" ● failure to pay interest or any additional amounts due on any note within 15 days of the due date thereof unless the interest payment is deferred as described above in "—Deferral of Interest and Principal;" ● certain events involving a bankruptcy event, liquidation, reorganization or insolvency proceedings, whether voluntary or involuntary. Payment of principal of the notes may be accelerated only in the case of certain events involving our bankruptcy, liquidation or dissolution or similar events, and we will be required to make payment after acceleration only after we have been declared bankrupt, put into liquidation or otherwise dissolved for purposes of Brazilian law. See "Risk Factors—Risks Relating to the Notes—If we do not satisfy our obligations under the notes, your remedies will be limited." There is no right of acceleration of the payment of principal and accrued interest on the notes in the case of a default in the performance of any of our covenants, including the payment of principal and interest on the notes. Notwithstanding the foregoing, in the event of our failure to pay any principal or interest on a note when it becomes due and payable, the holder of such note will have the right to institute a suit for the enforcement of any such payment.
Amendments to the Terms and Conditions of the Notes.....	We expect to qualify the notes as Tier 2 Capital subject to Central Bank's approval. The Central Bank's approval is still pending and the Central Bank may require us to amend certain terms and conditions of the notes as a condition to granting such approval. We may one time, without the prior consent of noteholders, amend the terms and conditions of the notes solely to comply with the requirements of the Central Bank qualify the notes as Tier 2 Capital pursuant to Resolution 3,444/07, as amended. We will not be permitted to make any amendments without noteholders' consent if any such amendment would affect in any way the interest rate of the notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of the notes, the ranking of the notes (as described in "Description of the Notes—Ranking") or the original maturity date of the notes. Any other amendment to the terms and conditions of the notes (other than in respect of minor amendments required to cure inconsistencies, defects ambiguities and similar matters) is subject to the prior consent of noteholders (see "Description of the Notes— Modification of the

	Indenture”).
Clearance and Settlement.....	The notes will be issued in book-entry form through the facilities of DTC, for the accounts of its direct and indirect participants, including Clearstream, Luxembourg, and Euroclear Bank S.A./N.V., or Euroclear.
Withholding Taxes; Additional Amounts	All payments of principal and interest in respect of the notes will be made without withholding or deduction for any taxes or other governmental charges imposed by Brazil or by any jurisdiction imposing tax as a result of payments being made from or through such jurisdiction, including any political subdivision or any taxing authority thereof, unless such withholding or deduction is required by law. In the event we are required to withhold or deduct amounts for any taxes or other governmental charges, we will pay such additional amounts necessary to ensure that the noteholders receive the same amount as the noteholders would have received without such withholding or deduction, subject to certain exceptions. See “Description of the Notes—Additional Amounts.”
Listing.....	We will apply to admit the notes to listing on the Official List of the Irish Stock Exchange and to trade the notes on the Global Exchange Market of the Irish Stock Exchange.
Transfer Restrictions	The notes have not been registered under the Securities Act and are subject to certain restrictions on resales and transfers described under “Transfer Restrictions.”
Governing Law.....	The indenture, the notes, the purchase agreement and related documents will be governed by the laws of the State of New York except for the subordination provisions, which will be governed by the laws of Brazil.
ERISA.....	Subject to certain conditions, the notes (or any interest therein) may be purchased by an “employee benefit plan” as defined in and subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, a “plan” as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, or any entity whose underlying assets 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. See “Certain ERISA and Other Considerations.”
Form and Denomination	The notes will initially be issued in the form of one fully registered restricted global note and one fully registered Regulation S global note. The notes will be delivered in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear and Clearstream, Luxembourg. The notes will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Additional Notes	Upon satisfaction of the conditions set forth in the indenture, we may issue additional tranches of notes and the original notes and any additional tranches of notes will be treated as a single class for all purposes under the indenture. Subject to obtaining prior consent from the Central Bank, we expect that the additional notes will be treated as part of our Tier 2 Capital. See “Description of the Notes—Additional Notes.”

SUMMARY FINANCIAL INFORMATION

The following tables set forth certain of our unaudited consolidated financial statements as of and for the nine-month periods ended September 30, 2011 and 2010 and our audited consolidated financial statements as of and for the years ended December 31, 2010, 2009 and 2008, and should be read in conjunction with our audited and unaudited consolidated financial statements, including the notes thereto, prepared in accordance with Brazilian GAAP, which are included elsewhere in the listing particulars, as well as the information included in "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Income Statement Data

	For the Nine-Month Period Ended September 30, (Unaudited)			For the Year Ended December 31,		
	2011	**2011**	**2010**	**2010**	**2009**	**2008**
	(U.S.$ thousand)[1]			*(R$ thousand)*		
Income from financial operations	2,375,571	4,405,258	3,531,439	4,841,827	4,262,620	3,879,663
Expenses of financial operations	(1,298,554)	(2,408,038)	(1,795,226)	(2,445,485)	(2,142,893)	(2,157,313)
Gross income from financial operations	1,077,017	1,997,220	1,736,213	2,396,342	2,119,727	1,722,350
Other operating income (expenses)	(512,503)	(950,385)	(950,208)	(1,248,518)	(1,266,460)	(1,018,111)
Income from operations	564,514	1,046,835	786,004	1,147,824	853,267	704,239
Income before taxes on income and employee profit sharing	564,514	1,046,835	786,004	1,147,824	853,267	704,239
Income tax and social contribution	(177,134)	(328,478)	(240,994)	(357,056)	(267,597)	(83,192)
Employee profit sharing	(21,877)	(40,569)	(33,500)	(49,304)	(44,403)	(29,990)
Minority interest	(58)	(107)	(126)	(222)	(171)	(184)
Net income	365,445	677,681	511,384	741,242	541,096	590,873

(1) September 30, 2011 figures were converted into U.S. dollars using the selling exchange rate of R$1.8544 per U.S.$1.00, as published by the Central Bank on September 30, 2011. The U.S. dollar figures set forth above are for information purposes only and should not be construed to mean that amounts of *reais* can be converted into or settled in U.S. dollars at these rates or any other rate.

Balance Sheet Data

	As of September 30, (Unaudited)			As of December 31,		
	2011	**2011**	**2010**	**2010**	**2009**	**2008**
	(U.S.$ thousand)[1]			*(R$ thousand)*		
ASSETS						
Current	**10,468,524**	**19,412,830**	**17,979,713**	**17,866,613**	**17,484,583**	**16,354,440**
Cash	259,430	481,087	396,370	403,321	411,220	373,278
Interbank investments[2]	1,648,511	3,056,998	3,822,569	2,359,329	5,356,542	4,687,078
Securities and derivatives	1,793,553	3,325,966	3,467,794	4,030,936	3,198,936	3,010,816
Interbank accounts	1,492,265	2,767,257	2,114,289	2,470,329	1,380,802	1,341,804
Interbranch accounts	30,332	56,247	50,429	80,994	35,070	43,936
Lending operations	4,590,425	8,512,485	6,967,177	7,334,317	6,084,542	5,770,975
Lease operations	20,091	37,256	37,018	37,065	46,117	45,001
Other receivables	620,131	1,149,970	1,106,648	1,129,070	948,170	1,075,286
Other assets	13,786	25,564	17,419	21,252	23,184	6,266
Long-term assets	**9,082,843**	**16,843,227**	**13,992,928**	**13,913,186**	**11,241,609**	**8,486,872**
Securities and derivatives	3,139,692	5,822,246	5,009,598	4,494,810	4,209,585	3,099,975
Interbank accounts	348,222	645,742	485,813	604,552	440,898	382,057
Lending operations	5,021,499	9,311,869	7,632,863	8,144,575	5,782,477	4,185,375
Lease operations	20,341	37,721	38,633	37,646	43,027	57,194
Other receivables	547,326	1,014,962	816,912	622,983	742,949	744,828
Other assets	5,763	10,687	9,109	8,620	22,673	17,443
Permanent assets	**160,723**	**298,044**	**366,707**	**347,854**	**357,945**	**364,063**
Investments	4,131	7,660	7,759	7,660	7,758	8,241
Property and equipment in use	87,991	163,170	171,349	168,923	170,058	151,351
Intangible	68,601	127,214	187,599	171,271	180,129	204,471
TOTAL ASSETS	**19,712,090**	**36,554,101**	**32,339,348**	**32,127,653**	**29,084,137**	**25,205,375**

(1) September 30, 2011 figures were converted into U.S. dollars using the selling exchange rate of R$1.8544 per U.S.$1.00, as published by the Central Bank on September 30, 2011. The U.S. dollar figures set forth above are for information purposes only and should not be construed to mean that amounts of *reais* can be converted into or settled in U.S. dollars at these rates or any other rate.

(2) Represents funds invested in the interbank market, stated at present value, calculated on "pro rata" basis, according to the variation of both the agreed index and the interest rate.

	As of September 30, (Unaudited)			As of December 31,		
	2011	2011	2010	2010	2009	2008
	(U.S.$ thousand)[1]	*(R$ thousand)*				
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	**12,859,995**	**23,847,574**	**23,939,721**	**23,508,247**	**21,218,591**	**18,021,578**
Deposits	7,555,560	14,011,030	14,603,711	15,600,626	13,072,695	11,120,370
Money market funding	881,173	1,634,047	2,285,898	1,311,160	2,006,497	2,234,251
Interbank accounts	159,101	295,036	264,506	9,798	10,739	11,779
Interbranch accounts	130,828	242,608	210,541	169,862	149,932	113,070
Borrowings	447,793	830,388	572,272	537,171	503,167	622,473
Domestic onlendings - Official institutions	163,196	302,631	281,944	309,842	369,832	329,949
Derivatives	–	–	19,985	–	14,515	8,348
Foreign onlendings	908	1,684	42,222	19,410	35,768	31,792
Other payables	3,521,436	6,530,150	5,658,642	5,550,378	5,055,446	3,549,546
Long-term liabilities	**4,533,433**	**8,406,800**	**4,651,484**	**4,762,488**	**4,455,429**	**4,101,355**
Deposits	3,720,387	6,899,086	3,350,387	3,452,379	3,297,050	3,135,713
Interbank accounts	6,204	11,505	–	–	–	–
Borrowings	2,144	3,976	3,223	2,532	–	–
Domestic onlendings - Official institutions	449,127	832,862	709,678	747,661	572,913	385,771
Derivatives	–	–	36,520	–	32,457	27,538
Foreign onlendings	17,279	32,042	2,540	5,823	–	–
Other payables	338,292	627,329	549,136	554,093	553,009	552,333
Shareholders' equity	**2,317,809**	**4,298,145**	**3,746,384**	**3,855,239**	**3,408,462**	**3,079,139**
Minority interest	**853**	**1,582**	**1,759**	**1,679**	**1,655**	**3,303**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**19,712,090**	**36,554,101**	**32,339,348**	**32,127,653**	**29,084,137**	**25,205,375**

(1) September 30, 2011 figures were converted into U.S. dollars using the selling exchange rate of R$1.8544 per U.S.$1.00, as published by the Central Bank on September 30, 2011. The U.S. dollar figures set forth above are for information purposes only and should not be construed to mean that amounts of *reais* can be converted into or settled in U.S. dollars at these rates or any other rate.

Selected Financial Ratios

	As of and for the Nine-Month Period Ended September 30,		As of and for the Year Ended December 31,		
	2011	2010	2010	2009	2008
Profitability					
Return on average assets[1]	1.97%	1.67%	2.42%	2.00%	2.60%
Return on average equity[2]	16.62%	14.29%	20.40%	16.68%	20.13%
Asset Quality					
Past due loans >60 days (loans in arrears)[3]/loan portfolio	2.88%	3.00%	2.45%	3.38%	3.27%
Allowance for loan losses/Past due loans >60 days [4]	226.72%	230.10%	263.63%	224.40%	259.46%
Allowance for loan losses/loan portfolio	6.54%	6.90%	6.47%	7.58%	8.48%
Liquidity					
Loan portfolio/total assets	53.77%	50.20%	53.00%	46.10%	45.44%
Loan portfolio/liabilities	60.94%	56.80%	60.25%	52.25%	51.77%
Capital Adequacy					
Shareholder's equity/total assets	11.76%	11.60%	12.00%	11.70%	12.22%
Total liabilities/shareholder's equity	750.43%	763.20%	733.31%	753.24%	718.48%
Regulatory Capital					
Adjusted equity as a percentage of total risk-weighted assets[5] (Basel Index)	15.91%	15.82%	16.07%	18.08%	20.70%
Return					
Net Interest Margin (NIM)[6]	7.89%	7.48%	10.15%	9.92%	9.38%

(1) Return on average assets is calculated as net income earned during the accounting period divided by our average assets (which is an average of the value of our assets as of September 30, 2011 plus the value of our assets as of December 31, 2010), and in 2008,

2009 and 2010 average assets were determined by finding the sum of (i) the assets as of December in the previous year and (i) the assets as of December in the current year and dividing the total by two.

(2) Return on average equity is calculated as net income earned during the accounting period divided by our average equity (which is an average of the value of our equity of September 30, 2011 plus the value of our equity as of December 31, 2010) and in 2008, 2009 and 2010 average assets were determined by finding the sum of (i) the equity as of December in the previous year and (i) the equity as of December in the current year and dividing the total by two.

(3) We include a loan under our allowance for loan losses whenever a loan is past due for at least 60 days. The allowance for loan losses is set at an amount considered sufficient to cover probable losses, based on the minimum percentages for each level of risk as required by CMN Resolution No. 2,682/99 and supplemented by a provision based on periodic review carried out by the administration of the quality of the customer, in order to cover possible events not identified by customer rating models. See "Other Statistical and Financial Information—Allowance for Loan Losses."

(4) Allowance for loan losses is calculated in accordance with the risk level of the credit following Resolution No. 2,682/99 of the CMN, as amended. See "Other Statistical and Financial Data—Lending Operations—Allowance for Loan Losses."

(5) The Basel Ratio is the relation between the Equity Base (Reference Equity) and weighted risks (Required Reference Equity).

(6) Net interest income divided monthly by average interest-earning assets (which is an average of the value of our assets for the nine-month periods ended September 30, 2011 and 2010 and for the year ended December 31, 2010, 2009 and 2008).

RISK FACTORS

Investing in the notes involves a high degree of risk. Before making any decision to invest, you should carefully evaluate the risks described below, together with all of the other information included in these listing particulars. If any of the following risks should occur, our business, financial condition and results of operations could be adversely affected. As a result, the trading price of the notes could fall and investors could lose all or part of their investment in the notes. Other risks that we are currently unaware of or that we currently consider immaterial could possibly have a negative effect on us and the trading price of the notes.

Risks Related to the Brazilian Banking Industry

The increasingly competitive environment and recent consolidation 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, including an increase in competition from Brazilian public banks. Competition has increased as a result of recent consolidations among financial institutions in Brazil and as a result of new regulations by the CMN that facilitate the customer's ability to switch business between banks. See "Regulation of the Brazilian Banking Industry." The increased competition may materially and adversely affect us by, among other things, limiting our ability to retain our existing consumer base, increase our customer base and to expand our operations, reducing our profit margins on banking and other services and products we offer, and to the extent it limits investment opportunities.

Changes in the minimum levels of real estate and agricultural sector loans dictated by the Central Bank may negatively affect our profitability.

Under Central Bank regulations, we are required to lend a portion of the funds we obtain through savings deposits and demand deposits as real estate and agricultural loans. The amounts we must extend as such loans can directly influence our profitability as a result of two factors: (i) if we do not extend a sufficient amount of such loans and fail to meet the minimum requirements set for such loans by the Central Bank, we must keep the difference as compulsory deposits with the Central Bank, and these compulsory deposits generally do not yield the same returns we are able to obtain through lending or treasury transactions; and (ii) loans to the agricultural sector might entail higher risk and/or be less profitable than other lending opportunities available in the financial market. For more detailed information about the portion of our deposits that we are required to direct to such activities, see "Regulation of the Brazilian Banking Industry—Regulations Affecting Financial Market Liquidity–Compulsory Deposits and Other Requirements."

Changes in federal and state legislation and/or Central Bank regulations may adversely affect us.

Brazilian banks are subject to federal and local legislation and extensive regulations issued by the Central Bank. These laws and regulations touch upon all our operations, including:

- minimum capital requirements: the Central Bank's regulation regarding minimum capital requirements to cover risks, credit, market and operational to comply with the new framework for risk-based capital adequacy approved by the Basel Committee on Banking Regulations and Supervisory Practices in June 2004, or the Basel II Accord. The Central Bank might modify the deadlines for implementation of the requirements in the new capital accord, the calculation procedures and the criteria for minimum capital requirement;

- compulsory deposit requirements;

- loan limits and other restrictions on lending operations; and

- accounting and statistical requirements.

In carrying out its monetary policy, the Brazilian Government, through the CMN and the Central Bank, periodically issues regulations intended to control inflation. These regulations, among other things, adjust bank reserves applicable to loans and deposits, regulate credit activities and impose limits on what amounts can be financed. In general, such controls are used by the Brazilian Government to regulate credit availability and increase or reduce consumption. In the past, such regulations have adversely affected our clients' ability to obtain loans, thus restricting the growth of our loan portfolio. We cannot guarantee that similar controls will not be enacted in the future and that similar adverse effects will not impact our operations once again.

The Central Bank has periodically changed the level of compulsory reserves that banks in Brazil are required to maintain in relation to the volume of demand deposits, savings deposits and time deposits. Additionally, the Central Bank regulates the use of these resources to fund federal programs for housing and the promotion of the agricultural sector, limiting the amount of free resources. As of the date of these listing particulars, the Central Bank's most relevant compulsory reserve requirements are as follows: (i) 43% of demand deposits, (ii) 20% of time deposits, (iii) 20% of savings deposits raised by us through the System of Savings and Loans (*Sistema Brasileiro de Poupança e Empréstimo*), or SBPE, (iv) 17% of agricultural savings deposits and (v) 60% of exposure to foreign currencies. For further information on compulsory reserves, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Regulations Affecting Financial Market Liquidity—Compulsory Deposits and Other Requirements."

On December 31, 2010, our compulsory deposits related to our demand deposits and savings deposits were R$2,005 million, and on September 30, 2011, our compulsory deposits related to our demand deposits and savings deposits were R$1,506 million. As of September 30, 2011, we had R$645 million in compulsory deposits with the Central Bank in order to fulfill the mandatory requirement.

There are no guarantees that the Central Bank will not increase the level of compulsory bank reserves or establish new requirements related to compulsory reserves that may negatively affect our liquidity, and, consequently, our business potential, our fundraising strategy, the growth of our loan portfolio and our profitability.

The Brazilian Government has announced that it plans to propose broad tax reforms that, if implemented, could adversely affect us.

The Brazilian Government regularly enacts reforms to tax and other assessment regimes affecting us. These reforms include changes to the frequency of assessments and, occasionally, the enactment of temporary taxes, the proceeds of which are earmarked for designated governmental projects.

The Brazilian Government has announced that it plans to propose broad tax reforms in Brazil to improve the efficiency of the allocation of economic resources. It is anticipated that the reform, if adopted, would involve a major restructuring of the Brazilian tax system, including the possible creation of a value-added tax on goods and services that would replace several taxes (including the social contribution tax, the federal tax on industrial products and the state tax on the circulation of goods and services). We cannot quantify the effects of these changes, if enacted, and any other changes that could result from the additional tax reforms, and we cannot assure that these reforms will not have an adverse effect on our business. Changes to the tax system in the past have produced uncertainty in the financial system and increased the cost of borrowing. These changes, if enacted, may contribute to deterioration in the economic and financial condition of our borrowers, and may result in increases in our non-performing loan portfolio. Accordingly, these changes if enacted, may adversely affect us.

The provision in the Brazilian Constitution that established a ceiling on loan interest rates is not enforced, and any substantial increase or decrease in the interest rate ceiling could have a material effect on us.

Article 192 of the Brazilian Constitution, enacted in 1988, established a 12.0% per year ceiling on bank loan interest rates. However, since the enactment of the Constitution, this rate had not been enforced. Decree No. 22,626 dated April 7, 1933, or the Usury Law, provided for a general 12.0% per annum cap on interest rates. However, Law No. 4,595 dated December 31, 1964 (*Lei da Reforma Bancária*), or Banking Reform Law, stipulated that this cap does not apply to financial institutions, thus the regulation regarding the ceiling for financial institutions is still pending. This exemption has been affirmed in several decisions by Brazilian courts over the last decades and recently been confirmed by Súmula Vinculante No. 7, a final binding decision enacted in 2008 by the Brazilian

Supreme Court in accordance with such Court's prior understanding on this matter. Since 1988, several attempts were made to regulate the limitation on loan interest, and especially bank loan interest rates, but none of them were implemented nor have been confirmed by Brazilian superior courts.

On May 29, 2003, Constitutional Amendment No. 40, or EC 40/03, was enacted and revoked all subsections and paragraphs of Article 192 of the Brazilian constitution. This amendment allows the Brazilian financial system to be regulated by specific laws for each sector of the system rather than by a single law relating to the system as a whole.

With the enactment of Law No. 10,406 of January 10, 2002, or the New Civil Code, unless the parties to a loan have agreed to use a different rate, in principle the interest rate ceiling has been pegged to the base rate charged by the Fazenda Nacional, or the National Treasury Office. Currently, this base rate is the Special System for Settlement and Custody (*Sistema Especial de Liquidação de Títulos Públicos*), or SELIC rate, which is currently 8.75% per annum. 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. The impact of EC 40/03, and the provisions of the New Civil Code are uncertain at this time but any substantial increase or decrease in the interest rate ceiling could have a material effect on the financial condition, results of operations or prospects of Brazilian financial institutions, including us.

The application of the Código de Defesa do Consumidor (Consumer Protection Code) to banks may have an adverse effect on us, including our revenue from interest and our ability to extend loans.

The Consumer Protection Code grants consumers in Brazil certain rights that facilitate their legal claims by, for example, reversing the burden of proof and considering null and void any abusive contractual provisions that may harm the interests of consumers. The Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*) on September 9, 2004 decided, pursuant to *Súmula* 297, that the Consumer Protection Code does apply to financial institutions. Furthermore, the Brazilian Supreme Court (*Supremo Tribunal Federal*) recently issued a similar decision dismissing the motion to declare the Code unconstitutional (*Ação Direta de Inconsticionalidade*) ADIN No. 2,519, filed by the National Federation of the Financial System (*Confederação Nacional do Sistema Financeiro*) declaring that the application of the Consumer Protection Code to financial institutions was not unconstitutional. Therefore provisions of financial agreements can be reviewed by Brazilian judges in cases of abuse and distortions. However, the Superior Court of Justice adopts the stance that the interest rate is only subject to judicial review on a case-by-case basis, taking into consideration the actual rate charged and the specifics of each case.

Minimum capital requirement limits imposed on Brazilian financial institutions may adversely affect us.

The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions. As part of its implementation, the Central Bank has proposed new capital adequacy regulations, which among other provisions contain changes to the risk weighting for different categories of loans.

According to Communication No. 19,028 of the Central Bank, the requirements for the use of certain capital calculation models included in the Basel II Accord are to be implemented by the first half of 2013, with an emphasis on changes in the allocation of capital for credit risk and the allocation of capital to operating risk. Furthermore, Central Bank Circular No. 3,478 of December 24, 2009, as amended, established that financial institutions planning to implement internal models for market risks will be required to request prior authorization from the Central Bank.

In addition, pursuant to Resolution No. 3,490 of August 29, 2007, as amended, of the CMN and Central Bank Circular No. 3,383 of April 30, 2008, as amended, the Central Bank requires banks to set aside a portion of their equity to cover operational risks (i.e., losses arising from failures, deficiencies or inadequacies in internal controls, including those due to external events). The minimum risk-weighted capital ratio required for us and all other banks in Brazil is currently 11.0% of risk-based exposure. Our Basel ratio was 16.07% as of December 31, 2010, compared to 18.08% as of December 31, 2009. As of September 30, 2011, the ratio was 15.91%.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced changes to the existing capital requirements and endorsed previous

agreements on the design of the capital and liquidity reform package, the Basel III Accord, which was presented at the Seoul G20 Leaders summit in November 2010. The Committee's reforms include the increase of the minimum common equity requirement from 2% to 4.5%. In addition, banks would be required to hold a capital conservation buffer of 2.5% to protect against difficult periods, bringing the total common equity requirements to 7%. The Central Bank has been discussing with Brazilian banks how to standardize a schedule for the implementation of Basel III in Brazil, and the preliminary regulation has been published in Communication No. 20,615 of February 17, 2011. The new rules are expected to be implemented gradually by the central banks of various countries between 2013 and 2019. If as a result of the Basel III regulatory capital limits we increase our own capital limits, our results could be negatively impacted.

Due to changes in the capital adequacy regulations or to changes in the performance of the Brazilian economy as a whole, we may be unable to meet the minimum capital adequacy requirements required by the Central Bank. We may also be compelled to limit our credit operations, dispose of assets and/or take other measures that may adversely affect our results of operations and financial condition.

The creation of new minimum capital adequacy requirements under Basel III may adversely impact us.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, which was presented to the Seoul G20 Leaders summit in November 2010. The Committee's package of reforms includes the increase of the minimum common equity requirement from 2% to 4.5%. In addition, banks would be required to hold a capital conservation buffer of 2.5% to withstand periods of stress, bringing the total common equity requirements to 7%. The Central Bank has been discussing with Brazilian banks how to standardize a schedule for the implementation of Basel III in Brazil, and the preliminary regulation has been published in Communication No. 20,615 of February 17, 2011. The new rules are expected to be implemented gradually by the central banks of various countries between 2013 and 2019. If as a result of the Basel III regulatory capital limits we increase our capital limits, it could negatively impact our results and may make it more difficult for us to maintain these higher ratios. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy Information."

Exchange controls implemented by the Brazilian Government could adversely affect us.

The purchase and sale of foreign currency in Brazil is subject to Central Bank regulation. The Central Bank currently authorizes the conversion of Brazilian currency into foreign currency in most situations, except in connection with certain regulated transactions including investments in the international capital markets and cross-border derivative contracts by consumers or companies.

The new Central Bank regulation maintained the following federal law requirements, among others:

- required use of local currency;
- mandatory registration with the Central Bank;
- required use of foreign exchange contracts; and
- rules for foreign capital registration.

It is uncertain whether in the future the Brazilian Government will institute a more restrictive exchange control policy such as the provisions set forth in Law No. 4,131 of September 3, 1962. Many factors beyond our control may affect the likelihood of the Brazilian Government's imposition of such restrictions at any time. Among such factors are:

- the extent of Brazil's foreign currency reserves;

- the availability of sufficient foreign exchange on the date a payment is due;
- the size of Brazil's debt service burden relative to the economy as a whole; and
- any other political constraints to which Brazil may be subject.

Any such restrictions may adversely affect our business, operations or prospects and our ability to make payments in U.S. Dollars and other foreign currencies to meet our foreign currency obligations abroad under foreign currency-denominated liabilities.

Risks Related to our Operations

The performance of the economy in the State of Rio Grande do Sul has a significant impact on us.

Approximately 97.9% of our clients are located in the State of Rio Grande do Sul. Because of this geographical concentration, our activities and results are significantly dependent on the performance of the state's economy. Therefore, an economic downturn in Rio Grande do Sul may, among other things, reduce the demand for lending and for banking services, increase the default rates related to our lending operations, increase the volume of withdrawals from funds deposited and limit our opportunities to expand our business. Additionally, our results of operations are linked to the performance of specific sectors of the economy. For example, our loans to the agricultural sector are directly impacted by weather conditions in Rio Grande do Sul. Any of these events may compromise our growth strategy and negatively impact our results.

A substantial percentage of our assets are securities issued by the Brazilian Government that are subject to market fluctuations and which may have a significant impact us.

As of September 30, 2011, our securities portfolio totaled R$12,205 million and represented 33.4% of our assets. As of the same date, 70.42% of our securities portfolio was comprised of debt securities issued by the Brazilian Government or the Central Bank, most indexed to the SELIC rate. Our gains and losses related to these securities, which we record when these securities are sold or are marked-to-market, may fluctuate considerably from period to period. The level of fluctuation depends primarily upon the SELIC rate and the market value of the securities we trade may vary considerably, as well as our investment policies. In addition, the value of the securities we own is subject to changes in Brazilian and international economic conditions. We cannot predict the gains or losses we will realize during any future period and historical variations do not allow us to make predictions for the future. See "Risk Factors—Risks Related to Brazil."

Additionally, as of September 30, 2011, we had Salary Variation Compensation Fund (*Fundo de Compensação de Variações Salariais*), or FCVS, credits totaling R$629 million related to the National Housing System (SFH) portfolio we acquired and R$16 million related to our own portfolio.

Between October 2002 and March 2005, we acquired a portfolio consisting of receivables from the FCVS from the Rio Grande do Sul State Government. As of September 30, 2011, our receivables totaled R$629 million (at cost plus income earned), and as of December 31, 2010, they totaled R$470 million. As of September 30, 2010, the face value of these receivables was R$819 million, and as of December 31, 2010 it was R$780 million. Following a ratification and novation process, these receivables will be converted into CVS securities. However, we have already passed the original date by which management estimated we would have completed the conversion. While we have not yet defined the maturity for these securities, the market value of these securities, upon their issue date, could significantly differ from their face amounts.

Our own portfolio contains FCVS credits from our mortgage loan portfolio, which have already been approved by the FCVS's regulatory body.

In addition, any failure by the Brazilian Government to make payments in accordance with the terms of the debt securities it or the Central Bank has issued will have a material adverse effect on our financial condition and results of operations.

We may not be able to implement our business strategy.

Our ability to implement our business strategy depends on several factors, including, among others: (i) the growth of the Brazilian banking sector; (ii) our resulting capitalization as a result of the sector's growth; (iii) the ongoing development of our technological infrastructure; (iv) improvements in our operating efficiency; (v) our creation of new products; (vi) maintaining our position as the official state bank and principal financial agent of the State of Rio Grande do Sul and (vii) our geographical expansion. See "Summary—Our Strategies." We cannot assure you that we will succeed in implementing these strategies and our failure to do so may have a material adverse effect on our financial situation and results of operations.

Repayment on our loans may be adversely affected by changes in laws and regulations, judicial interpretations and/or the policies of public entities.

A significant share of our loan portfolio is made up of payroll-deduction loans (*crédito consignado*) to current and retired employees of state-owned and private companies and to pensioners of the National Institute of Social Security, Pensioners and Retirees (*Instituto Nacional do Seguro Social*), or INSS.

Payments of payroll-deduction loans are made via deductions charged directly from an employee's or pensioner's payroll. As a result, we are exposed to the credit risk of the entity responsible for the borrowers' payroll payments. This credit risk, however, is generally lower than the risk we absorb in our other lending operations. We are therefore able to extend payroll-deduction loans at rates that are lower than charged for other types of credit. The payroll-deduction system is regulated by a number of federal, state and municipal laws and regulations. These laws and regulations establish deduction limits and do not allow a public servant, private sector employee or INSS beneficiary to revoke the authorization granted to a bank to deduct the necessary amounts to repay the outstanding payroll-deduction loan balance.

Accordingly, the enactment of any new law or regulation, or the change, revocation or new interpretation of existing laws and regulations that results in the prohibition, restriction of or has some other negative effect on our ability to effect direct payroll deductions may increase the risk profile of our loan portfolio, leading us to increase the interest rates charged in connection with our loans and leading to a higher percentage of payment defaults.

In June 2004, the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*) determined that an authorization for direct payroll deduction given by a public servant in the State of Rio Grande do Sul could be revoked, but an irrevocable authorization would be considered abusive and, accordingly, null and void. Despite the fact that the Brazilian Superior Court of Justice issued a new decision in June 2005 recognizing that irrevocable authorizations are legal and valid, we can make no assurance that such decision will be corroborated by other courts.

Additionally, the extension of payroll deduction loans to public servants and INSS retirees and pensioners depends on the authorization by public entities. The Brazilian Government or other governmental entities may change the regulations governing these authorizations, and other government agencies may impose future regulations that restrict or prevent us from offering payroll deduction loans to our employees. Part of our credit portfolio is comprised of payroll deduction loans granted to public servants and INSS retirees and pensioners, and amendments to or the enactment of new laws or regulations that restrict or prevent us from extending this type of loan may adversely affect us.

In September 2005, the INSS issued a regulation prohibiting retirees and pension beneficiaries from authorizing banks, by telephone, to deduct loan payments from their benefit checks and also limiting the amortization of these transactions to 36 monthly installments. Further, in November 2005 the INSS suspended for 30 days any renewals of bank's authorizations to deduct payments of amortization payments for loans granted by credit card or grants of this type of loan to INSS retirees or pension beneficiaries. The suspension came as a result of a recommendation made by the National Council of Social Security (*Conselho Nacional de Previdência Social*), or CNPS, which subsequently extended this suspension until June 2006. In July 2006, the INSS issued the Normative Instruction No. 8 authorizing the grants of payroll-deductible loans through credit cards limited to twice the monthly value of the benefit received by the retiree or pension beneficiary. Based on that instruction, we resumed our credit card operations. It is not possible, however, to guarantee that the INSS will not make further

changes in the regulations governing this matter, which could materially adversely affect our business, operating results and financial condition.

Other changes in the INSS regulations, which have been in force since December 20, 2007 and January 8, 2008, reduced the upper limit of INSS pension beneficiaries and retirees payroll-deductible loans from 30.0% to 20.0% of their paychecks, extended the maximum loan terms from 36 to 60 months and imposed a credit limit of 10% for each payroll for credit card payroll loans granted to INSS pension beneficiaries and retirees, in addition to restricting the collection of charges. Subsequent regulations, effective since May 19, 2008, prohibited credit cards provided to the INSS retirees and beneficiaries from being used for withdrawal. However, changes in the INSS regulations, in force since June 2009, increased the payroll reduction limit from 20.0% to 30% per payroll of INSS beneficiaries who had not used the credit limit of 10% per payroll, for loans granted through credit cards provided to the INSS beneficiaries.

In addition, changes in the CMN and Central Bank regulations issued in December 2007 in effect since April 2008 imposed certain transparency and restriction requirements regarding bank charges, including credit transactions available to individuals.

The issuance of any new law or regulation, or any change, revocation or new construction of existing laws or regulations, that result in a prohibition or restriction or that may adversely affect our capacity to make deductions directly from the payroll of public employees or from the benefits of the INSS retirees or beneficiaries may increase the level of risk of our credit portfolio, therefore increasing the interest rates we charge for personal credit we grant and resulting in a higher percentage of loan losses. We cannot assure that the laws and regulations applicable to payroll or INSS retiree and beneficiary loans will not be altered or revoked in the future.

Any mismatch between our loan portfolio and our sources of funding may adversely affect us and our ability to expand our loan portfolio.

We are subject to mismatches in interest rates and maturity dates between our assets and liabilities, particularly with regards to real estate loans. Real estate loans account for 8.20% of our loan portfolio and are designed for the long-term financing of real estate acquisitions. Funding for these loans is mainly derived from savings deposits, which offer immediate liquidity.

An increase in interest rates in Brazil may increase our funding costs, particularly the cost of time deposits, or may force us to reduce the spreads we receive through our loan portfolio, adversely affecting our results of operations.

Any material mismatch outside of our normal business activities between the maturity of our lending operations and our sources of funding would reinforce the effect of any interest rate mismatch, which could also result in liquidity risk if we are unable to raise additional funds. An increase in the total cost of our funding for any reason may lead to an increase in the interest rates we charge for loans and may consequently affect our ability to attract new clients. A decline in the growth of our loan portfolio may adversely affect our business, financial condition and results of operations.

Adverse conditions in the credit and capital markets may adversely affect our ability to access funding in a cost effective and/or timely manner.

Volatility, disruption and uncertainty in the credit and capital markets may generally lead to decreased liquidity, with increased costs of funding for financial institutions and corporations. These conditions may impact our ability to replace, in a cost effective and/or timely manner, maturing liabilities and/or access funding to execute our growth strategy. If we are forced to delay raising capital or pay unattractive interest rates in order to obtain capital, our financial condition and results of operations may be adversely affected.

We cannot assure that deposits, an important source of funds to us, will continue to be available on favorable terms.

Time deposits are an important source of our funding. As of December 31, 2010, they represented 36.38% of our total funding, and as of September 30, 2011, they represented 44.07% of our total funding. Our ability to obtain additional funding will depend, among other factors, on our performance and on future Brazilian market conditions. We cannot assure that time deposits will remain available at favorable terms. If we are not able to secure funding effectively, we may not be able to broaden our loan portfolio or respond effectively to changes in business conditions and competitive pressures. These factors could adversely affect our business, financial condition and results of operations.

The growth of our loan portfolio may result in increased loan defaults.

During the past few years, our loan portfolio has grown substantially. Continued growth of our loan portfolio may result in increased default rates on loans that we make. Since most of the loans we extend are repayable in over one year, we may register higher default rates after our loan portfolio grows. Increased defaults may be caused by local or national economic downturns and may result in an increase in losses from our lending operations, increases in our loan loss provisions, charge-off and in our ratio of past due loans to our loan portfolio, which may adversely affect our business, financial condition and results of operations.

The balance of our loan portfolio as of December 31, 2008, 2009 and 2010 was R$11,454 million, R$13,414 million and R$17,033 million, respectively, and the balance of our loan portfolio as of September 30, 2011 was R$19,654 million. Our default rates for loans overdue more than 60 days as of December 31, 2008, 2009 and 2010 were 3.27%, 3.38% and 2.45%, respectively. Our default rate as of September 30, 2011 was 2.88%.

Our allowance for loan losses increased from R$1,017 million as of December 31, 2009 to R$1,102 million as of December 31, 2010 and R$1,285 million as of September 30, 2011. These increases were due to increases in our loan portfolio. As of September 30, 2011, we believe our allowance for loan losses is adequate to cover all known risks in our loan portfolio.

We may incur losses associated with counterparty exposures.

We face the possibility that a counterparty will be unable to honor its contractual obligations. These counterparties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Such counterparty risk is more acute in difficult markets where the risk of failure of counterparties is higher.

Our trading activities and derivatives transactions may produce material losses.

We engage in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on short-term differences in price. These investments could expose us to the possibility of material financial losses in the future, as securities are subject to fluctuations in value, which may generate losses. In addition, we enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. Such derivatives transactions are designed to protect us against increases in exchange rates or interest rates or against decreases in such rates, but not both.

If we have entered into derivatives transactions to protect against, for example, decreases in the value of the *real* or in interest rates and the real instead increases in value or interest rates increase, we may incur financial losses. Such losses could materially and adversely affect our future results of operations and cash flow.

We may be required to increase agricultural lending due to the Brazilian Government's policy, which may adversely us.

Our agricultural financing portfolio accounts for 8.06% of its total credit portfolio as of September 30, 2011. While the total credit portfolio earned an annual average spread of 9.47% during the third quarter of 2011, the average annual spread on our agribusiness credit portfolio was 5.39%, and of 20.63% and 16.49% on the consumer credit portfolio and on the commercial credit portfolio, respectively. Additionally, the performance of our agribusiness credit portfolio is subject to factors that are beyond our control, such as the price of agricultural commodities, weather conditions, crop failures and the Brazilian Government's policy relative to agricultural credit and agribusiness. As an institution controlled by the Brazilian Government and the principal agricultural finance agent of Brazil, the Bank may be required to increase the size of its agricultural credit portfolio and implement government agribusiness programs in order to meet political guidelines and governmental goals. See "Business— Our Activities— Agricultural loans," for a discussion of our rural lending business.

We are controlled by the State of Rio Grande do Sul, and our controlling shareholder's interests may conflict with the interests of our minority shareholders.

As of the date of these listing particulars, the State of Rio Grande do Sul owns 56.97% of our shares and holds approximately 99.59% of our voting shares. As a result, the State of Rio Grande do Sul has the power to control us, including the power to elect a majority of our directors and all of our officers, as well as to determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations and the payment of dividends. Particularly, there is no guarantee that we will not be required to pay the maximum amount of dividends or interest on capital to shareholders as permitted under Brazilian Corporate Law in the future, which is 95.0% of net income earned in any fiscal year (pursuant to Brazilian Corporate Law, 5.0% of net income must be retained as a legal reserve). The State of Rio Grande do Sul can, therefore, have substantial influence over our policies and operations despite it not being a guarantor of the notes.

The State of Rio Grande do Sul may require us to take certain actions designed to promote its own political, economic or social goals – actions that are not exclusively intended to enhance our business and results of operations. The eventual implementation of such actions may be contrary to our interests and to the interests of our other shareholders and may have an adverse effect on our business, financial condition and results of operations.

Changes in our management team, including as a result of a change in the governmental administration of the State of Rio Grande do Sul, could have an adverse effect on us.

The State of Rio Grande do Sul has the power to elect a majority of the members of our board of directors and, as a result, all of our executive officers. Changes in the governmental administration of Rio Grande do Sul, including as a result of elections held every four years, may lead to changes in our management team. For more information, see "Management." Changes in our management team could have an adverse effect on the implementation of our business strategy and, consequently, on our business, financial condition and results of operations.

The loss of our role as official bank and principal financial agent of the State of Rio Grande do Sul could have an adverse effect on us.

We are the principal financial agent of the State of Rio Grande do Sul. We collect taxes, administer transfers to the state's municipalities, make payments to suppliers and administer the payroll and benefit payments of active and retired public servants, centralizing all payments related to the service of public-sector indebtedness and transfers processed by state government departments and agencies. Our relationship with the state provides us with direct and indirect revenue related to these services and important sources of potential business.

In order to maintain our services related to public servant payroll in the State of Rio Grande do Sul, on June 29, 2007 we entered into an agreement with the state government, our controlling shareholder, with a maximum term of five years. This agreement can be renewed by the State of Rio Grande do Sul for an additional five year

term or for the maximum amount allowed by the Legislature. For more information, see "Business—Financial Agent of the State of Rio Grande do Sul and its Municipalities—Payroll Services for the Public Sector."

There can be no assurance, however, that we will continue to be offered the ability to oversee public servant payroll services in the State of Rio Grande do Sul after the initial term of the agreement or even during it. Government entities may, for example, decide to change the regulations that require that their payroll services to be undertaken by us. If this occurs, the bank deposits made by and payroll services offered to public servants may be undertaken by other financial institutions.

As the agreement that we have entered with the State of Rio Grande do Sul permits the state to unilaterally terminate it, we cannot predict that (i) we will continue to provide these payroll services for the duration of the existing agreement, and (ii) if this agreement were to be terminated or amended by the State of Rio Grande do Sul, either unilaterally or without cause, or as a result of a third-party claim, we will be entitled to indemnification from the state.

The termination of our agreement for provision of payroll or other services to public servants in the State of Rio Grande do Sul or to the state administration or to the public administration may materially adversely affect our results.

It may be difficult to repossess and to realize value from collateral with respect to defaulted loans.

As of the date of these listing particulars, 50% of our total balance of loans granted to companies are loans with collateral, and the remaining portion of the balance has personal guarantees. For our portfolio of loans granted to individuals, 3% has collateral, 23.7% has personal guarantees and 73.3% are payroll-backed loans. In our other loan portfolios (foreign exchange, real estate and agricultural), 84% of the balance has collateral.

Upon defaults by our clients and after all extrajudicial collection measures have been exhausted, collateral with respect to the underlying loans may be difficult for us to repossess and to realize value from, in view of all the steps necessary in judicial proceedings for debt collection and the limited liquidity in specific markets.

Risks Related to Brazil

Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on 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 have resulted in a reduction of available financing. Financial institutions, such as us, that are located in emerging market countries may be particularly susceptible to these events, which could affect the price or availability of their funding. Because international investors' reactions to the events occurring in one market sometimes affect other regions or disfavor certain investments, Brazil could be adversely affected by negative economic or financial developments in other countries.

In addition, the recent market volatility and disruption have been accompanied by worsening economic indicators in the world's major economies. Weakening economic conditions in Brazil may, in particular, impair the ability of some of our clients to repay debt that they owe us and/or limit our ability to execute our strategy in the same way that we would in a period of economic growth and stability. Accordingly, we may continue to be adversely affected by conditions in the global financial markets as long as they remain volatile and subject to disruption and uncertainty.

Since 2008, the continuation of the economic crisis in Europe, particularly in Greece, Spain, Italy and Portugal, has continued to reduce investor confidence globally, as has the recent earthquake in Japan and the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor's on August 6, 2011. These ongoing events could negatively affect our ability and the ability of other Brazilian financial institutions to obtain financing in the global capital markets, as well as weaken the recovery and growth of the Brazilian and/or foreign economies and cause volatility in the Brazilian capital markets. See also "—The market for Brazilian securities is subject to a

high degree of volatility due to developments and perceptions of risks in other countries" for more information regarding risks related to our exposure to events abroad.

Brazilian economic and political conditions may adversely affect us and the market price of the notes.

Our business, financial condition and results of operations are substantially dependent on Brazil's economy, which in the past has been characterized by frequent drastic intervention by the Brazilian Government and volatile economic cycles. In the past, the Brazilian Government's actions to control inflation and implement macroeconomic policies have often involved price controls, currency devaluations, capital controls, and limits on imports, among other things. We and the market for the notes may be adversely affected by changes in policies or rules involving factors such as:

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

The market for Brazilian securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, as well as, to varying degrees, market conditions in other Latin American and emerging market countries, and the United States and Europe. Although economic conditions differ in each country, the reaction of investors to developments in one country may affect the capital markets in other countries.

Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Brazilian economy and resulted in considerable outflows of funds from Brazil and decreases in the amount of foreign investments in Brazil. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours, which could adversely affect us and the market price of the notes. See also "—Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on us".

Changes in interest rates set by the Central Bank could adversely affect us.

The Central Bank, through the Monetary Policy Committee (*Comitê de Política Monetária*), or COPOM, establishes the SELIC rate, which is the base interest rate for the Brazilian banking system. The SELIC rate is also an important policy instrument used by the Brazilian Government to achieve inflation targets it established on June 21, 1999 (Decree No. 3,088).

As of December 31, 2008 and 2007, the SELIC rate was 13.75% and 11.25%, respectively. As of December 31, 2009, the Central Bank had significantly reduced the SELIC rate to 8.75%. On April 28, 2010, the Central Bank increased the SELIC rate to 9.50%, on June 9, 2010, to 10.25% and on July 21, 2010, to 10.75%, and

maintained that base interest rate for the remaining of 2010. The Central Bank increased the SELIC rate again on January 19, 2011, to 11.25%, on March 2, 2011, to 11.75%, on April 20, 2011, to 12.00%, on June 8, 2011, to 12.25% and on July 20, 2011, to 12.50%. However, the Central Bank decreased the SELIC rate on August 31, 2011 to 12.00%. The SELIC rate as of September 30, 2011 was 12.00%.

Increases in the SELIC rate could adversely affect our results of operations by reducing our clients' demand for loans, increasing our cost of funding, the interest rate of our loans and increasing the risk of payment default, among other factors. Decreases in the SELIC rate could, on the other hand, adversely affect our results of operations by decreasing the interest income we earn from our interest-earning assets (income which is completely or partially affected by the SELIC rate) and the spreads that we charge on our lending operations.

If Brazil experiences substantial inflation in the future, there may be an adverse effect on 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 4.5% in 2007, 5.9% in 2008, 4.3% in 2009 and 5.9% in 2010, respectively, as measured by the Brazilian Extended Consumer Price Index (*Índice de Preços ao Consumidor Amplo*), or IPCA. The inflation rate for the nine-month period ended September 30, 2011 was 4.97%, as measured by the IPCA. 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 Brazilian Government measures to combat inflation and public speculation about possible future Brazilian Government measures, has had significant negative effects on the Brazilian economy, and contributed to increase economic uncertainty in Brazil and volatility in the Brazilian securities market, which may have an adverse effect on us.

If Brazil experiences substantial inflation in the future, we may be adversely affected. Inflationary pressures could also reduce our ability to access foreign financial markets and lead to further Brazilian Government intervention in the economy, including the introduction of policies that adversely affect the performance of the Brazilian economy as a whole, and consequently, us.

We are subject to foreign exchange rate instability, including devaluation of the real, which may adversely affect us.

In the past, the Brazilian Government implemented various economic plans and used a number of exchange rate policies, including sudden devaluations, periodic mini devaluations (during which the frequency of adjustments ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. More recently, the exchange devaluations have resulted in significant fluctuations in the exchange rate between the *real* and the U.S. Dollar and other currencies. As of December 31, 2009, the exchange rate between the *real* and the U.S. Dollar was R$1.74 per US$1.00, representing a 25.5% appreciation of the *real* since December 31, 2008, according to the Central Bank. As of December 31, 2010, the exchange rate between the *real* and the U.S. Dollar was R$1.67 per US$1.00, representing a 4.0% appreciation of the *real* since December 31, 2009, according to the Central Bank. On September 30, 2011, the exchange rate between the *real* and the U.S. Dollar was R$1.85 to US$1.00, according to the Central Bank. We cannot be certain that the exchange rate between the *real* and the U.S. Dollar will stabilize at current levels.

As of September 30, 2011, approximately 2.63% of our assets and 2.32% of our liabilities were linked to the Euro, Japanese Yen, the United Kingdom Pound and the U.S. Dollar. Depreciation of the *real* in relation to the U.S. Dollar and other foreign currencies may result in significant adverse effects on our activities, since it increases the cost of foreign funding required for settling our obligations expressed or indexed to the U.S. Dollar or such foreign currency. Additionally, a depreciation of the *real* would also impair the ability of our clients to pay their obligations expressed or indexed to foreign currencies, besides creating additional inflationary pressures in Brazil that may adversely affect us. Depreciations generally make it more difficult to access foreign financial markets and may prompt government intervention, including recessionary governmental policies. In contrast, appreciation of the *real* against the U.S. Dollar may lead to a deterioration of Brazil's current account and the balance of payments, as well as to a dampening of export-driven growth. Any of the foregoing could adversely affect us.

It may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon our directors, executive officers and certain advisors residing in Brazil or outside the United States.

We are a mixed-capital company (*sociedade de economia mista*) organized under the laws of Brazil. All of our directors and executive officers 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. See "Service of Process and Enforcement of Judgments."

Risks Relating to the Notes

We may amend certain terms and conditions of the notes without your prior consent to comply with Central Bank requirements to qualify the notes as Tier 2 Capital.

We expect to qualify the notes as Tier 2 Capital subject to the Central Bank's approval. The Central Bank's approval is still pending and the Central Bank may require us to amend certain terms and conditions of the notes as a condition to granting such approval. We may, without the prior consent of the noteholders, amend the terms and conditions of the notes one time solely to comply with the requirements of the Central Bank to qualify the notes as Tier 2 Capital pursuant to Resolution 3,444/07, as amended. We will not be permitted to make any amendments without noteholders' consent if such amendment would decrease the interest rate or ranking of the notes subsequent to the date of their issuance, would affect the method of computing the amount of principal, interest or other amounts payable on any date, change any place of payment or any currency of payment, change any redemption provision, or would affect in any way the cumulative nature of any interest payments due on amounts in arrears or the outstanding principal amount of the notes (as described in "Description of the Notes—Ranking") or the original maturity date of the notes. Any amendment to the notes may adversely impact your rights as a noteholder and may adversely impact the market value of the notes.

No assurance can be given that the notes will qualify as Tier 2 Capital or that the Central Bank will not amend the existing regulations or change its interpretation of the Tier 2 Capital regulations in the future, especially in view of the future implementation of Basel III in Brazil.

Subject to the Central Bank's approval, we expect the notes to qualify as Tier 2 Capital, in accordance with Resolution 3,444/07. The Central Bank's approval for the notes to be classified as Tier 2 Capital has not yet been received and we cannot give any assurance that the notes will qualify as Tier 2 Capital. The Central Bank may require us to amend certain terms and conditions of the notes as a condition to granting any such approval.

Furthermore, we cannot give any assurance as to whether the applicable requirements for Tier 2 Capital will change in the future. In particular, the Central Bank is in the process of standardizing a schedule for the implementation of the recommendations of the Basel Committee on Banking Supervision, or the Basel Committee concerning capital structure and liquidity requirements, or Basel III, in Brazil, although only one communication has been published by the Central Bank with respect to Basel III as of date of these listing particulars.

Specifically with respect to Tier 2 Capital, Communication No. 20,615, issued by the Central Bank on February 17, 2011, establishes that Tier 2 Capital shall be comprised of elements capable of absorbing losses in the event the operations of the institution are no longer viable. Moreover, the press release issued by the Basel Committee on January 13, 2011, or Press Release No. 03/2011, states that, subject to certain exceptions, the terms and conditions of all non-common tier 1 and tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of certain trigger events.

In accordance with Press Release No. 03/2011, instruments issued on or after January 1, 2013 must meet the criteria set out above to be included in regulatory capital. Instruments issued prior to January 1, 2013 that do not

meet the criteria set out above, but that meet all of the entry criteria for additional tier 1 or tier 2 capital set out in *Basel III: A global regulatory framework for more resilient banks and banking systems*, will be considered as an "instrument that no longer qualifies as additional tier 1 or tier 2" and will be phased out from January 1, 2013.

Therefore, even if the notes initially qualify as Tier 2 Capital under the current regulations, if changes are made in the future, and unless the notes are in compliance with the new regulations, they could become disqualified as Tier 2 Capital and have a different regulatory nature.

The ability to institute bankruptcy proceedings against us may be limited by Brazilian law.

Law No. 6,024, of March 13, 1974, as amended, or the Financial Institutions Liquidation Law, empowers the Central Bank to extra-judicially intervene in the operations or to liquidate financial institutions owned by the private sector or Brazilian state governments (but not of the Federal Government), such as ourselves. Decree-Law No. 2,321, of February 25, 1987, also establishes an extraordinary regime for administration of distressed financial institutions (RAET regime). Furthermore, according to Law No. 11,101, of February 9, 2005, or the New Bankruptcy Law, companies with government-owned and privately owned stocks (mixed-capital companies, or *sociedades de economia mista*) such as ourselves, are not subject to judicial bankruptcy liquidation proceedings.

Accordingly, the ability to institute bankruptcy and insolvency proceedings against us in Brazil or abroad may not be permitted or may be limited by Brazilian law. In addition, the ability to collect any monies under the notes in the event of bankruptcy or insolvency regime may also be limited or impaired and there can be no assurance of any recovery under the notes.

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

Subject to Central Bank approval, we expect to qualify the notes as Tier 2 Capital. The notes will be our subordinated obligations, junior in right of payment upon our bankruptcy, liquidation or dissolution to our senior indebtedness. However, applicable Brazilian regulations do not contain any express provision stating Tier 2 Capital is senior to Tier 1 subordinated capital or that obligations constituting subordinated capital may rank senior to other obligations that also constitute subordinated capital.

We may in the future create subordination provisions in new issuances of subordinated debt, including those that we may intend to qualify as Tier 1 subordinated capital. Law No. 11,101/05, as amended, or the Brazilian Bankruptcy Law, came into effect on June 9, 2005 and governs the bankruptcy, liquidation or dissolution of Brazilian companies. Although the Brazilian Bankruptcy Law recognizes the principal of contractual subordination of claims, there is a lack of court precedent in Brazil that validates or upholds this principle. At present, the Brazilian Bankruptcy Law also does not expressly provide for different levels of subordination.

Accordingly, in the event of our bankruptcy, liquidation or dissolution, we cannot assure you that Brazilian bankruptcy courts would recognize and properly enforce the contractual subordination of such subordinated obligations to the notes.

Our obligations under the notes will be subordinated to our senior liabilities, and to some Brazilian statutory obligations.

The notes will be, by their terms unsecured, subordinated obligations and will rank behind claims of our depositors, other unsubordinated and subordinated creditors, and will rank *pari passu* with our other instruments that qualify as Tier 2 Capital and Tier 1 Capital and will rank in priority only to our most senior preferred stock and common stock. The Indenture does not contain any restrictions on our ability to incur additional indebtedness that is senior to the notes. By reason of the subordination of the notes, in the event of our winding up or dissolution, or similar events, although the full amount of the notes and any accrued interest thereon will become immediately due and payable, our assets will be available to pay such amounts only after all of our senior liabilities and other obligations which are preferred by law have been paid in full.

Under Brazilian law, our obligations under the notes will also be subordinated to certain statutory preferences. In the event of our liquidation, certain claims, such as claims for salaries, wages and social security from our employees (up to an amount equivalent to 150 times the minimum wage), claims deriving from transactions secured by collateral (mortgages, pledges etc.), as well as taxes and court fees and expenses, will have preference over any other claim, including those holders of the notes. See "Regulation of the Brazilian Banking Industry—Intervention, Administrative Liquidation and Bankruptcy" for a discussion of recent measures affecting the priority of repayment of creditors.

We can issue further debt or other instruments which may rank pari passu with or senior to the notes.

Subject only to the conditions described in "Description of the Notes—Ranking," there is no restriction on the amount of debt or instruments that we may issue which rank senior to, or *pari passu* with, the notes. As of September 30, 2011, we did not have any senior debt, but the issuance of any such instruments may reduce the amount recoverable by noteholders upon any bankruptcy or insolvency and would increase the likelihood that we may suspend the payment of interest on the notes.

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

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

Even though the Brazilian foreign exchange market passed through a de-regulation process, the Brazilian Government may in the future:

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

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

Payments to be made by us under the notes may be suspended if we are not in compliance with operational limits required by regulations applicable to Brazilian banks.

Pursuant to Resolution 3,444/07, as a condition for the subordinated debt represented by the notes to qualify as Tier 2 Capital, the Indenture will provide that any payments of principal, interest and any other amounts to be made by us under the notes on the corresponding payment dates and maturity date shall be deferred if we are not in compliance with the risk-based capital requirements, and if such payments would cause us to no longer be in compliance with the risk-based capital requirements as in effect from time to time. In such a case, all payments falling due under the notes would be deferred until we are, and if such payment would not cause us to fail to be, in compliance with the risk-based capital requirements. Any suspension of payments due to our failure to satisfy the risk-based capital requirements would have a material adverse effect on our ability to make scheduled payments under the notes.

If we do not satisfy our obligations under the notes, your remedies will be limited.

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

Even if the payment of principal of the notes is accelerated, our assets will be available to pay those amounts only after:

- All of our senior obligations have been paid in full, as described above in "—Our obligations under the notes will be subordinated to certain statutory liabilities;" and

- We are actually declared bankrupt, are liquidated, wound up or are otherwise dissolved for purposes of Brazilian law.

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

There are certain possible consequences under the U.S. Foreign Account Tax Compliance Act, or FATCA.

Legislation incorporating provisions referred to as FATCA was passed in the United States on March 18, 2010. Under the FATCA provisions, it is possible that we (or if the notes are held through another financial institution, such other financial institution) may be required, pursuant to an agreement to be entered into with the U.S. Internal Revenue Service, or the IRS, to (i) request certain information from holders or owners of notes, which may be provided to the IRS, and (ii) withhold U.S. federal tax on some portion of payments made after December 31, 2014 with respect to the notes if either (x) such information is not provided or (y) such payments are made to a foreign financial institution that has not entered into a similar agreement with the IRS. If we or any other person are required to withhold amounts in connection with FATCA from any payments made in respect of the notes, holders and owners of notes will not be entitled to receive additional amounts to compensate them for such withholding. Payments on or with respect to debt issued before March 19, 2012 generally are not subject to FATCA.

This description is based on preliminary guidance issued by the IRS. Further guidance is anticipated in the near future, which may significantly modify this description.

Absence of a public market for the notes.

Application will be made to admit the notes to listing on the Official List, and to trading on the Global Exchange Market of the Irish Stock Exchange. We cannot assure you that this application will be accepted. Even if the notes are approved for trading on the Global Exchange Market of the Irish Stock Exchange, we may delist the notes.

The initial purchasers are not under any obligation to make a market with respect to the notes and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes or the continuing existence of such a market for the notes. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

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

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

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

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

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

If proceedings were to be brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge our obligations in any currency other than *reais*. Any judgment obtained against us in Brazilian courts in respect of our obligations under the notes will be expressed in *reais* equivalent to the U.S. Dollar exchange rate published by the Central Bank as of the date on which: (i) the respective suit is filed, (ii) such judgment is rendered or (iii) the relevant payment is made. We cannot assure you that this exchange rate and remittance costs will provide full compensation in respect of the amount of your investment in the notes.

Payments under the notes are subject to our receipt of certain governmental authorizations.

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

USE OF PROCEEDS

The net proceeds arising from the issuance and sale of the notes are estimated to be approximately U.S.$494.2 million after deductions of fees and commissions payable by us. We intend to use the net proceeds of the issuance of the notes for general corporate purposes. Subject to the approval of the Central Bank to our treating the net proceeds of the issuance of the notes as Tier 2 Capital, we intend to further strengthen our capital base.

EXCHANGE RATE INFORMATION

The Brazilian foreign exchange system allows, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *reais* by a foreign person or company, without limitation as to amount. Foreign currencies may only be purchased through financial institutions domiciled in Brazil and authorized to operate in the exchange market.

Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably.

In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian Government will continue to permit the *real* to float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian Government in the future. See "Risk Factors—Risks Related to Brazil—We are subject to foreign exchange rate instability, including devaluation of the real, which may adversely affect us."

The following table sets forth the period end, average, high and low foreign exchange selling rates published by the Central Bank on its electronic information system (SISBACEN), under transaction code PTAX 800 (*Consultas de Câmbio*), or Exchange Rate Enquiry, Option 5, *Venda (Cotações para Contabilidade),* or Rates for Accounting Purposes expressed in *reais* per U.S. dollar for the periods and dates indicated. The exchange rate as of January 25, 2012 was R$1.7632 per U.S.$1.00.

	Closing Selling Rates of *reais* per U.S.$1.00			
Year	**Low**	**High**	**Average[1]**	**Year End**
2006	2.0586	2.3711	2.1778	2.1380
2007	1.7325	2.1556	1.9483	1.7710
2008	1.5593	2.5004	1.8372	2.3370
2009	1.7024	2.4218	1.9935	1.7410
2010	1.6554	1.8811	1.7583	1.6660
2011	1.5345	1.9016	1.6746	1.8758

	Closing Selling Rates of *reais* per U.S.$1.00			
Month	**Low**	**High**	**Average[2]**	**Period End**
August 2011	1.5551	1.6334	1.5970	1.5872
September 2011	1.6040	1.9016	1.7498	1.8544
October 2011	1.6885	1.8856	1.7726	1.6885
November 2011	1.7270	1.8937	1.7905	1.8109
December 2011	1.7830	1.8758	1.8369	1.8758
January 2012 (through January 25)	1.7528	1.8758	1.8022	1.7632

(1) Represents the average of the month end rates beginning with December of the previous period through the last month of the period indicated.

(2) Represents the average of the lowest and highest daily rates in the period.

CAPITALIZATION

The following table sets forth our capitalization under Brazilian GAAP as of September 30, 2011 and is derived from the financial statements as of and for the nine-month period ended September 30, 2011 and as adjusted to give effect to the offering of the notes and intended uses of proceeds thereof. There has been no material change to our capitalization since September 30, 2011.

	As of September 30, 2011 (Unaudited)	**As of September 30, 2011 (Unaudited)**	**Adjusted[2]**	**Adjusted[2]**
	(*U.S.$ million*)[1]	(*R$ million*)	(*U.S.$ million*)[1]	(*R$ million*)
Long-term debt[3]				
Deposits	3,720	6,899	3,720	6,899
Borrowings and onlendings	469	869	469	869
Other liabilities and derivative financial instruments	345	639	345	639
Debt Securities	-	-	494	916
Total long-term debt	**4,534**	**8,407**	**5,028**	**9,323**
Minority interest	1	2	1	2
Shareholders' equity	2,318	4,298	2,318	4,298
Total capitalization[4]	**6,852**	**12,707**	**7,346**	**13,623**
Risk-based capital ratios				
Risk-based capital ratios[5]	15.91%	15.91%	19.31%[6]	19.31%[6]

(1) September 30, 2011 figures were converted into U.S. dollars using the selling exchange rate of R$1.8544 per U.S.$1.00, as published by the Central Bank on September 30, 2011. The U.S. dollar figures set forth above are for information purposes only and should not be construed to mean that amounts of *reais* can be converted into or settled in U.S. dollars at these rates or any other rate.

(2) As adjusted by the issuance of the notes and assuming proceeds of U.S.$494.2 million after deductions of fees, commissions and certain other expenses, converted from U.S. dollars to *reais* using the selling exchange rate of R$1.8544 to U.S.$1.00, as published by the Central Bank on September 30, 2011.

(3) Debt that is unsecured and not guaranteed.

(4) Total capitalization is equal to the sum of total long-term debt, minority interest in subsidiaries and shareholders' equity.

(5) The Basel Ratio is the relation between the Equity Base (Reference Equity) and weighted risks (Required Reference Equity).

(6) The Basel Ratio was calculated assuming approval from the Central Bank to treat the notes as Tier 2 capital.

SELECTED FINANCIAL INFORMATION

The following tables set forth certain of our unaudited consolidated financial statements as of and for the nine-month periods ended September 30, 2011 and 2010 and our audited consolidated financial statements as of and for the years ended December 31, 2010, 2009 and 2008, and should be read in conjunction with our audited and unaudited financial statements, including the notes thereto, prepared in accordance with Brazilian GAAP, which are included elsewhere in the listing particulars, as well as the information included in "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Income Statement Data

	For the Nine-Month Period Ended September 30, (Unaudited)			For the Year Ended December 31,		
	2011	**2011**	**2010**	**2010**	**2009**	**2008**
	(U.S.$ thousand)[1]			*(R$ thousand)*		
Income from financial operations[2]	2,375,571	4,405,258	3,531,439	4,841,827	4,262,620	3,879,663
Expenses of financial operations[3]	(1,298,554)	(2,408,038)	(1,795,226)	(2,445,485)	(2,142,893)	(2,157,313)
Gross income from financial operations	1,077,017	1,997,220	1,736,213	2,396,342	2,119,727	1,722,350
Other operating income (expenses)	(512,503)	(950,385)	(950,208)	(1,248,518)	(1,266,460)	(1,018,111)
Income from operations	564,514	1,046,835	786,004	1,147,824	853,267	704,239
Income before taxes on income and employee profit sharing	564,514	1,046,835	786,004	1,147,824	853,267	704,239
Income tax and social contribution	(177,134)	(328,478)	(240,994)	(357,056)	(267,597)	(83,192)
Employee profit sharing	(21,877)	(40,569)	(33,500)	(49,304)	(44,403)	(29,990)
Minority interest	(58)	(107)	(126)	(222)	(171)	(184)
Net income	365,445	677,681	511,384	741,242	541,096	590,873

(1) September 30, 2011 figures were converted into U.S. dollars using the selling exchange rate of R$1.8544 per U.S.$1.00, as published by the Central Bank on September 30, 2011. The U.S. dollar figures set forth above are for information purposes only and should not be construed to mean that amounts of *reais* can be converted into or settled in U.S. dollars at these rates or any other rate.
(2) The sum of revenues from credit operations, securities, foreign exchange and compulsory deposits.
(3) The sum of funding expenses, loans, assignments and transfers and allowance for loan losses.

Balance Sheet Data

	As of September 30, (Unaudited)			As of December 31,		
	2011	**2011**	**2010**	**2010**	**2009**	**2008**
	(U.S.$ thousand)[1]			*(R$ thousand)*		
ASSETS						
Current	**10,468,524**	**19,412,830**	**17,979,713**	**17,866,613**	**17,484,583**	**16,354,440**
Cash	259,430	481,087	396,370	403,321	411,220	373,278
Interbank investments[2]	1,648,511	3,056,998	3,822,569	2,359,329	5,356,542	4,687,078
Securities and derivatives	1,793,553	3,325,966	3,467,794	4,030,936	3,198,936	3,010,816
Interbank accounts	1,492,265	2,767,257	2,114,289	2,470,329	1,380,802	1,341,804
Interbranch accounts	30,332	56,247	50,429	80,994	35,070	43,936
Lending operations	4,590,425	8,512,485	6,967,177	7,334,317	6,084,542	5,770,975
Lease operations	20,091	37,256	37,018	37,065	46,117	45,001
Other receivables	620,131	1,149,970	1,106,648	1,129,070	948,170	1,075,286
Other assets	13,786	25,564	17,419	21,252	23,184	6,266
Long-term assets	**9,082,843**	**16,843,227**	**13,992,928**	**13,913,186**	**11,241,609**	**8,486,872**
Securities and derivatives	3,139,692	5,822,246	5,009,598	4,494,810	4,209,585	3,099,975
Interbank accounts	348,222	645,742	485,813	604,552	440,898	382,057
Lending operations[3]	5,021,499	9,311,869	7,632,863	8,144,575	5,782,477	4,185,375
Lease operations[4]	20,341	37,721	38,633	37,646	43,027	57,194
Other receivables[5]	547,326	1,014,962	816,912	622,983	742,949	744,828
Other assets	5,763	10,687	9,109	8,620	22,673	17,443
Permanent assets	**160,723**	**298,044**	**366,707**	**347,854**	**357,945**	**364,063**
Investments	4,131	7,660	7,759	7,660	7,758	8,241

	As of September 30, (Unaudited)			As of December 31,		
	2011	2011	2010	2010	2009	2008
	(U.S.$ thousand)[1]			*(R$ thousand)*		
Property and equipment in use	87,991	163,170	171,349	168,923	170,058	151,351
Intangible	68,601	127,214	187,599	171,271	180,129	204,471
TOTAL ASSETS	**19,712,090**	**36,554,101**	**32,339,348**	**32,127,653**	**29,084,137**	**25,205,375**

(1) September 30, 2011 figures were converted into U.S. dollars using the selling exchange rate of R$1.8544 per U.S.$1.00, as published by the Central Bank on September 30, 2011. The U.S. dollar figures set forth above are for information purposes only and should not be construed to mean that amounts of *reais* can be converted into or settled in U.S. dollars at these rates or any other rate.

(2) Represents funds invested in the interbank market, stated at present value, calculated on "pro rata" basis, according to the variation of both the agreed index and the interest rate. Please refer to notes 3(b) and 04 to our financial statements as of and for the year ended December 31, 2010.

(3) Represents our credit operations with the public sector and private individuals, excluding lease operations and foreign exchange, and deducting the amount of our allowance for loan losses.

(4) Represents our credit operations with the public sector and private individuals, deducting the amount of our allowance for loan losses.

(5) Includes foreign exchange, receivables, trading and brokerage fees, and several other credits, deducting the value of allowance for other loan losses. For further information please refer to note 8 to our financial statements as of and for the year ended December 30, 2010.

	As of September 30, (Unaudited)			As of December 31,		
	2011	2011	2010	2010	2009	2008
	(U.S.$ thousand)[1]			*(R$ thousand)*		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities	**12,859,995**	**23,847,574**	**23,939,721**	**23,508,247**	**21,218,591**	**18,021,578**
Deposits	7,555,560	14,011,030	14,603,711	15,600,626	13,072,695	11,120,370
Money market funding	881,173	1,634,047	2,285,898	1,311,160	2,006,497	2,234,251
Interbank accounts	159,101	295,036	264,506	9,798	10,739	11,779
Interbranch accounts	130,828	242,608	210,541	169,862	149,932	113,070
Borrowings	447,793	830,388	572,272	537,171	503,167	622,473
Domestic onlendings - official institutions	163,196	302,631	281,944	309,842	369,832	329,949
Derivatives	–	–	19,985	-	14,515	8,348
Foreign onlendings	908	1,684	42,222	19,410	35,768	31,792
Other payables	3,521,436	6,530,150	5,658,642	5,550,378	5,055,446	3,549,546
Long-term liabilities	**4,533,433**	**8,406,800**	**4,651,484**	**4,762,488**	**4,455,429**	**4,101,355**
Deposits	3,720,387	6,899,086	3,350,387	3,452,379	3,297,050	3,135,713
Interbank accounts	6,204	11,505	–	–	–	–
Borrowings	2,144	3,976	3,223	2,532	–	–
Domestic onlendings - Official institutions	449,127	832,862	709,678	747,661	572,913	385,771
Derivatives	–	–	36,520	–	32,457	27,538
Foreign onlendings	17,279	32,042	2,540	5,823	-	-
Other payables	338,292	627,329	549,136	554,093	553,009	552,333
Shareholders' equity	**2,317,809**	**4,298,145**	**3,746,384**	**3,855,239**	**3,408,462**	**3,079,139**
Minority interest	**853**	**1,582**	**1,759**	**1,679**	**1,655**	**3,303**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**19,712,090**	**36,554,101**	**32,339,348**	**32,127,653**	**29,084,137**	**25,205,375**

(1) September 30, 2011 figures were converted into U.S. dollars using the selling exchange rate of R$1.8544 per U.S.$1.00, as published by the Central Bank on September 30, 2011. The U.S. dollar figures set forth above are for information purposes only and should not be construed to mean that amounts of *reais* can be converted into or settled in U.S. dollars at these rates or any other rate.

Selected Financial Ratios

	As of and for the Nine-Month Period Ended September 30,		As of and for the Year Ended December 31,		
	2011	2010	2010	2009	2008
Profitability					
Return on average assets[1]	1.97%	1.67%	2.42%	2.00%	2.60%
Return on average equity[2]	16.62%	14.29%	20.40%	16.68%	20.13%
Asset Quality					
Past due loans > 60 days (loans in arrears)[3]/loan portfolio	2.88%	3.00%	2.45%	3.38%	3.27%
Allowance for loan losses/Past due loans > 60 days [4]	226.72%	230.10%	263.63%	224.40%	259.46%
Allowance for loan losses/loan portfolio	6.54%	6.90%	6.47%	7.58%	8.48%
Liquidity					
Loan portfolio/total assets	53.77%	50.20%	53.00%	46.10%	45.44%
Loan portfolio/liabilities	60.94%	56.80%	60.25%	52.25%	51.77%
Capital Adequacy					
Shareholder's equity/total assets	11.76%	11.60%	12.00%	11.70%	12.22%
Total liabilities/shareholder's equity	750.43%	763.20%	733.31%	753.24%	718.48%
Regulatory Capital					
Adjusted equity as a percentage of total risk-weighted assets[5] (Basel Index)	15.91%	15.82%	16.07%	18.08%	20.70%
Return					
Net Interest Margin (NIM)[6]	7.89%	7.48%	10.15%	9.92%	9.38%

(1) Return on average assets is calculated as net income earned during the accounting period divided by our average assets (which is an average of the value of our assets as of September 30, 2011 plus the value of our assets as of December 30, 2010), and in 2008, 2009 and 2010 average assets were determined by finding the sum of (i) the assets as of December in the previous year and (i) the assets as of December in the current year and dividing the total by two.

(2) Return on average equity is calculated as net income earned during the accounting period divided by our average equity (which is an average of the value of our equity of September 30, 2011 plus the value of our equity as of December 30, 2010), and in 2008, 2009 and 2010 average assets were determined by finding the sum of (i) the equity as of December in the previous year and (i) the equity as of December in the current year and dividing the total by two.

(3) We include a loan under our allowance for loan losses whenever a loan is past due for at least 60 days. The allowance for loan losses is set at an amount considered sufficient to cover probable losses, based on the minimum percentages for each level of risk as required by CMN Resolution No. 2,682/99 and supplemented by a provision based on periodic review carried out by the administration of the quality of the customer, in order to cover possible events not identified by customer rating models. See "Other Statistical and Financial Information—Allowance for Loan Losses."

(4) Allowance for loan losses is calculated in accordance with the risk level of the credit following Resolution No. 2,682/99 of the CMN, as amended. See "Other Statistical and Financial Data—Lending Operations—Allowance for Loan Losses."

(5) The Basel Ratio is the relation between the Equity Base (Reference Equity) and weighted risks (Required Reference Equity).

(6) Net interest income divided monthly by average interest-earning assets (which is an average of the value of our assets for the nine-month periods ended September 30, 2011 and 2010 and for the year ended December 31, 2010, 2009 and 2008).

OTHER STATISTICAL AND FINANCIAL INFORMATION

The following information is included for analytical purposes and should be read in connection with our consolidated financial statements included elsewhere in these listing particulars as well as with "Management's Discussion and Analysis of Financial Condition and Results of Operations." Information is presented as of and for the years ended December 31, 2010, 2009 and 2008 and as of and for the nine-month periods ended September 30, 2011 and 2010.

We believe that the average data set forth herein accurately reflects in all material respects our financial condition and results of operations as of the dates and for the periods specified.

Interest accrued on typical Brazilian financial assets and liabilities includes nominal interest rates and a monetary correction component. The monetary correction component may be related to an inflation index, changes in foreign exchange rates (usually U.S. Dollar) or other floating interest rates. The interest rate and monetary correction are applied to the principal balance of each operation at the end of each month. The updated value becomes the new basis for the accrual of the next month's interest and monetary correction.

Average balances of the balance sheet accounts and other financial information

The table below presents the average balances of total assets, interest-earning assets, interest-bearing liabilities and shareholders' equity based on our monthly balance sheets.

The average balances of interest-earning assets correspond to the assets that generate income from financial operations, while interest-bearing liabilities are liability accounts that generate expenses of financial operations.

As indicators of profitability and efficiency, the table includes: the gross profit before the allowance for loan losses, as a percentage of average interest-earning assets; indicators of the return on assets, corresponding to net income as a proportion of interest-earning assets; indicators of the return on shareholders' equity, calculated as the net income as a percentage of the average shareholders' equity balance; and efficiency indexes, which represent the proportion of the sum of personnel and other administrative expenses, less depreciation and amortization divided by the sum of the gross income from financial operations (excluding the effects of the allowance for loan losses) and the income from services rendered.

	As of and for the nine-month period ended September 30,		As of and for the year ended December 31,		
	2011	2010	2010	2009	2008
	(*in millions of R$ except for the percentages*)				
Average balances					
Average balance of total assets	34,479	30,874	31,242	27,723	23,381
Average balance of interest-earning assets[1]	31,178	28,433	28,716	25,622	21,101
Average balance of interest-bearing liabilities[2]	25,196	23,109	23,115	20,794	17,023
Average balance of shareholders' equity	4,124	3,590	3,657	3,253	2,945
Profitability and efficiency					
Net margin from financial operations[3]	7.89%	7.48%	10.15%	9.92%	9.38%
Surplus of interest-earning assets in relation to interest-bearing liabilities[4]	23.74%	23.04%	24.23%	23.22%	23.95%
Return on average assets[5]	2.17%	1.80%	2.58%	2.11%	2.80%
Average rate on interest-earning assets[6]	14.13%	12.42%	16.86%	16.64%	18.30%
Average rate on interest-bearing liabilities[7]	7.72%	6.07%	8.33%	8.27%	11.06%
Efficiency index[8]	44.20%	48.79%	47.76%	52.01%	56.75%

(1) Interest-earning assets are assets that generate income from financial operations. See "Other Statistical and Financial Data—Average Balances and Interest Rate on Interest-Earning Assets and Interest-Bearing Liabilities."

(2) Interest-bearing liabilities are liabilities that generate expenses of financial operations. See "Other Statistical and Financial Data—Average Balances and Interest Rate on Interest-Earning Assets and Interest-Bearing Liabilities."

(3) Net interest income divided monthly by average interest-earning assets (which is an average of the value of our assets for the nine-month periods ended September 30, 2011 and 2010 and for the year ended December 31, 2010, 2009 and 2008).

(4) The difference between average interest-earning assets and interest-bearing liabilities.

(5) Return on average monthly assets is calculated as net income earned during the accounting period divided by our average interest-earning assets (which is an average of the value of our assets for the nine-month periods ended September 30, 2011 and 2010 and our assets for the year ended December 31, 2010, 2009 and 2008).

(6) Income from financial operations as a percentage of average interest-earning assets. "Other Statistical and Financial Data—Average Balances and Interest Rate on Interest-Earning Assets and Interest-Bearing Liabilities."

(7) Expenses of financial operations as a percentage of average interest-bearing liabilities. "Other Statistical and Financial Data—Average Balances and Interest Rate on Interest-Earning Assets and Interest-Bearing Liabilities."

(8) The Efficiency index is computed as the proportion, expressed as a percentage, between (i) the sum of personnel expenses and other administrative expenses and (ii) the sum of gross income from financial operations before the allowance for loan losses, income from services rendered, bank fees income and our other income/expenses. The Efficiency index is not defined under Brazilian GAAP or other regulations, and it does not have a standardized definition. Our definition of the Efficiency index may not be comparable to the Efficiency index used by other banks. The Efficiency index is used by our management to measure our operational performance.

Average balances and interest rate on interest-earning assets and interest-bearing liabilities

Average balances of interest-earning assets and interest-bearing liabilities discussed herein were calculated based on the month-end balances.

The table below presents our interest-earning assets and interest-bearing liabilities, the corresponding amounts of income from financial operations from assets and expenses of financial operations from liabilities, as well as the effective average rates.

Our loan portfolio includes lending operations, lease operations (at their net present value) and other receivables comprised by advances on exchange contracts. Income derived from lending operations past-due for over 60 days, irrespective of the level of risk, is recognized as income only when collected.

Loans past-due and unpaid for over 60 days are in non-accrual status and presented under "Lending, lease and other lending operations." Our loan portfolio amounted to R$17,033 million in 2010, R$13,414 million in 2009, R$11,454 million in 2008, R$19,655 million as of September 30, 2011 and R$16,237 million as of September 30, 2010.

Average balances from interbank investments and money market funding correspond to the redemption amount net of unearned income or expenses.

Average balances of deposits, money market funding and borrowings and onlendings include accrued financial charges payable through the period end, recognized on a daily "pro rata" basis. Expenses of financial operations for deposits include expenses from contributions to the Credit Guarantee Fund (*Fundo Garantidor de Créditos*), or FGC.

Gross income from financial operations, set forth in the chart below, is the difference between income from financial operations and expenses of financial operations, (i.e. the banking results from the revenues of the banking products offset by the financial costs associated with the provision of credit). Additionally, adjusted profit from financial operations is gross profit from financial intermediation before the provisions for loan losses.

The accounting of interest in our balance sheet includes nominal interest rates and a component of adjustment for inflation. The adjustments for inflation may relate to an inflation index, changes in foreign exchange rates (typically, the U.S. dollar) or another floating interest rate. Interest rates and adjustments for inflation are calculated as of the end of each month on the principal of each lending transaction. The adjusted amounts become the new base amounts for calculation of interest and adjustment for inflation in the subsequent month, and thus, successively, through its liquidation.

	As of and for the nine-month period ended September 30, 2011 (Unaudited)			As of and for the nine-month period ended September 30, 2010 (Unaudited)			As of and for the year ended December 31, 2010			As of and for the year ended December 31, 2009			As of and for the year ended December 31, 2008		
	Average Balance[1]	Income (Expense)	Average Rate (%)	Average Balance[1]	Income (Expense)	Average Rate (%)	Average Balance[1]	Income (Expense)	Average Rate (%)	Average Balance[1]	Income (Expense)	Average Rate (%)	Average Balance[1]	Income (Expense)	Average Rate (%)
	(in R$ million, except percentages)														
Interest-earning assets															
Money-market investments	2,827	235	8.31%	4,226	299	7.07%	3,898	380	9.74%	5,581	532	9.54%	4,560	536	11.76%
Securities and derivatives [2]	8,221	695	8.46%	7,427	492	6.62%	7,562	699	9.24%	6,384	605	9.48%	4,133	445	10.78%
Compulsory deposits [3]	1,459	140	9.62%	1,675	95	5.69%	1,673	132	7.86%	1,453	118	8.09%	2,371	253	10.68%
Lending, leasing and other lending operations [4]	18,046	3,293	18.25%	14,639	2,598	17.75%	15,099	3,568	23.63%	11,789	2,948	25.01%	9,681	2,570	26.55%
Other interest-earning assets [5]	626	41	6.60%	466	46	9.87%	483	63	13.10%	415	59	14.17%	355	57	16.00%
Total interest-earning assets	**31,178**	**4,405**	**14.13%**	**28,433**	**3,530**	**12.42%**	**28,716**	**4,841**	**16.86%**	**25,622**	**4,263**	**16.64%**	**21,101**	**3,862**	**18.30%**
Interest-bearing liabilities															
Savings deposits	5,242	(280)	5.34%	5,943	(257)	4.33%	5,871	(350)	5.80%	5,048	(293)	5.70%	4,515	(297)	6.58%
Time deposits [6]	11,648	(884)	7.59%	9,002	(602)	6.69%	9,160	(837)	9.14%	8,277	(782)	9.45%	7,026	(772)	10.99%
Interbank deposits	11	(1)	8.64%	62	(4)	5.83%	50	(4)	7.87%	58	(4)	7.24%	6	(1)	11.47%
Money market funding	1,743	(167)	9.60%	2,081	(161)	7.74%	2,004	(214)	10.70%	2,469	(258)	10.44%	2,612	(331)	12.67%
Obligations for borrowing and onlending[7]	1,809	(220)	12.18%	1,637	(83)	5.07%	1,633	(113)	6.89%	1.392	(57)	4.10%	1,143	(285)	24.97%
Other funding [8]	4,743	(392)	8.26%	4,383	(295)	6.73%	4.398	(408)	9.28%	3,550	(326)	9.17%	1,721	(197)	11.43%
Total interest-bearing liabilities	**25,196**	**(1,944)**	**7.72%**	**23,109**	**(1.402)**	**6.07%**	**23,115**	**(1,926)**	**8.33%**	**20,794**	**(1,720)**	**8.27%**	**17,023**	**(1,883)**	**11.06%**
Gross income from financial operations		**1,997**			**1,736**			**2,396**			**2,120**			**1,722**	

(1) The average balance is the sum of the account balances for the nine-month period (September, 2010 and 2011) or the twelve month period (2008, 2009, 2010), divided by the number of months in that period.

(2) Securities related to compulsory deposits over savings deposits and time deposits are included under compulsory deposits in the amounts of R$567 million in 2010, R$503 million in 2009, R$797 million in 2008, R$621 million as of September 30, 2011 and R$560 million as of September 30, 2010. Income from securities transactions were reclassified as interbank investments in the amounts of R$699 million in 2010, R$605 million in 2009, R$445 million in 2008, R$695 million as of September 30, 2011 and R$492 million as of September 30, 2010. These securities are included under securities and derivatives in our financial information.

(3) Compulsory deposits include securities linked to Central Bank related to deposits in the amounts of R$567 million in 2010, R$503 million in 2009, R$797 million in 2008, R$621 million as of September 30, 2011 and R$560 million as of September 30, 2010, respectively, under securities and derivatives in our financial statements. The amounts of R$63 million in 2010, R$59 million in 2009, R$57 million in 2008, R$41 million in the nine-month period ended September 30, 2011 and R$46 million in the nine-month period ended September 30, 2010 were reclassified under other.

(4) Includes average balances of lending operations, of lease operations (based on the present value of the portfolio at month's-end), and of advance payments on exchange contracts, and excludes balances from operations overdue by 60 days in the amounts of R$450 million in 2010, R$475 million in 2009, R$343 million in 2008, R$496 million as of September 30, 2011 and R$496 million as of September 30, 2010. income from financial operations includes net income from financial operations, exchange contracts and expenses for lease operations in the amounts of R$67 million in 2010; R$73 million in 2009; R$232 million in 2008; R$126 million in the nine-month period ended September 30, 2011 and R$56 million in the nine-month period ended September 30, 2010.

(5) Other interest-earning assets include: FCVS credits in the amounts of to R$482 million in 2010, R$414 million in 2009, R$354 million in 2008, R$626 million as of September 30,2011 and R$465 million as of September 30,2010, included under Interbank accounts – restricted deposits in our financial information. The corresponding income statements include the following accounts: income from FCVS in the amounts of R$61 million in 2010; R$58 million in 2009, R$57 million in 2008, R$41 million as of September 30, 2011 and R$45 million as of September 30, 2010.

(6) Expenses from time deposits include expenses with the FGC (in the amounts of R$26 million in 2010, R$22 million in 2009, R$19 million in 2008, R$22 million as of September 30, 2011 and R$19 million as of September 30, 2010), as well as expenses with judicial deposits (in the amount of R$20 million in 2010, R$19 million in 2009, R$18 million in 2008, R$19 million as of September 30, 2011 and R$15 million as of September 30, 2010) included under the same name in our income statements.

(7) Other funding corresponds to the obligations concerning our FRDJ in the amount of R$4,414 million in 2010, R$3,674 million in 2009, R$1,883 million in 2008, R$4,743 million as of September 30, 2011 and R$4,383 million as of September 30, 2010. The obligations concerning our FRDJ are included in other obligations in our balance sheet.

(8) Expenses from borrowings, assignments and onlendings in the amounts of R$113 million in 2010, R$57 million in 2009, R$290 million in 2008, R$220 million as of September 30, 2011 and R$83 million as of September 30, 2010 correspond to the remuneration paid to financial and development funds and the FRDJ and were reclassified under other funding.

Changes in income from financial operations and expenses of financial operations: volume and rate analysis

The following table sets forth the allocation of the variations of our consolidated income from financial operations and expenses, between variations in interest rates and variations in volume in (i) the year ended December 31, 2010 compared to year ended December 31, 2009; (ii) in the year ended December 31, 2009 compared to the year ended December 31, 2008 and (iii) in the nine-month period ended September 30, 2011, compared to the nine-month period ended September 30, 2010.

Variations in interest rates and volume were calculated based on the changes in the average balances during the period indicated and based on the variations of the nominal interest rates over the average interest-earning assets or over interest-bearing liabilities. The net variation was calculated based on variations in volume and rates, and was proportionately allocated to the respective variation (interest rate and volume), considering the absolute value attributable to interest rate and to volume.

	Nine-month period ended September 30, 2011 versus 2010 (Unaudited) Increase (decrease) due to variance in:			**Year ended December 31, 2010 versus 2009 Increase (decrease) due to variance in:**			**Year ended December 31, 2009 versus 2008 Increase (decrease) due to variance in:**		
	Volume	**Interest Rate**	**Net Variation**	**Volume**	**Interest Rate**	**Net Variation**	**Volume**	**Interest Rate**	**Net Variation**
					(in R$ million)				
Interest-earning assets									
Money Market	(116)	52	(64)	(162)	9	(153)	25	(29)	(4)
Securities and derivatives	57	147	204	108	(14)	94	205	(45)	160
Compulsory deposits	(10)	55	45	17	(3)	14	(34)	(101)	(135)
Lending, lease and other lending operations	620	75	695	771	(152)	619	515	(137)	378
Other interest-earning assets	13	(18)	(5)	8	(4)	4	6	(4)	2
Total interest-earning assets	**564**	**311**	**875**	**742**	**(164)**	**578**	**717**	**(316)**	**401**
Interest-bearing liabilities									
Savings deposits	(23)	45	22	49	8	57	33	(37)	(4)
Time deposits	193	89	282	79	(24)	55	47	(37)	10
Interbank deposits	(4)	1	(3)	0	0	0	4	0	4
Money market funding	(13)	19	6	(49)	6	(43)	(20)	(53)	(73)
Obligations for borrowings and onlendings	10	128	138	11	44	55	51	(279)	(228)
Other funding	26	71	97	78	4	82	158	(29)	129
Total interest-bearing liabilities	**189**	**353**	**542**	**167**	**38**	**205**	**273**	**(435)**	**(162)**

Maturity distribution of balance sheet

The following table sets forth our balance sheet broken down by maturity date as of September 30, 2011.

	As of September 30, 2011 (Unaudited)			
	0-90 days	**91-365 days**	**Over 365 days**	**Total**
		(in R$ million)		
Interbank investments	3,057	-	-	3,057
Securities and derivatives	1,074	2,252	5,822	9,148
Loan portfolio [1]	4,859	5,047	9,749	19,655
Total interest-earning assets	**8,990**	**7,299**	**15,571**	**31,860**
Savings deposits	5,072	-	-	5,072
Time deposits[2]	1,913	4,457	6,899	13,269
Interbank deposits	12	-	-	12
Money market funding	1,634	-	-	1,634
Borrowings and onlendings	452	683	869	2,004
FRDJ[3]	-	5,012	-	5,012
Total interest-bearing liabilities	**9,083**	**10,152**	**7,768**	**27,003**
Gap	**(93)**	**(2,853)**	**7,803**	**4,857**

(1) Includes lending operations, lease and other loans with loan-like characteristics, including foreign exchange transactions. As of September 30, 2011. The R$566.6 million of past due loans over 60 days are included in the 0-90 days field.
(2) Includes R$3.6 million in other deposits as of September 30, 2011 from the 0-90 day category.
(3) Judicial Deposits (*Fundo de Reserva de Depósitos Judiciais*).

Securities portfolio (including derivatives)

The following table sets forth the composition of our securities portfolio, including derivatives, for the dates indicated, evaluated according to the regulations of the Central Bank.

In accordance with Circular No. 3,068 of November 8, 2001 and related regulations, securities are classified and evaluated in three specific categories, using the following accounting criteria:

Trading Securities: These are securities acquired to be actively and frequently traded. They are measured at fair value, and any gains or losses are recognized in the income statement.

Available-for-Sale Securities: These securities are part of our strategy to manage the risk of changes in interest rates, and they may be traded as a result of these changes, changes in payment conditions and other factors. These securities are adjusted to fair value, and income earned is recorded in the income statement. Unrealized gains and losses from changes in fair value are recorded in a separate shareholders' equity caption, net of taxes, called "Valuation Adjustments to Equity," until the gains and losses are realized through a sale. These gains and losses, when realized, are recorded in the income statement on the trading date, and there is a corresponding change to "Valuation Adjustments to Equity."

Held-to-Maturity Securities: These are securities which management has the intention and financial capacity to hold to maturity. These securities are recorded at cost plus income earned on a *pro rata temporis* basis. Financial capacity is based on cash flow projections.

	As of September 30, (Unaudited)		As of December 31,					
	2011	**% of Total**	**2010**	**% of Total**	**2009**	**% of Total**	**2008**	**% of Total**
				(in R$ million)				
Brazilian Government securities	8,589	93.89%	7,936	93.08%	7,204	97.25%	5,935	97.12%
Investment funds	522	5.71%	545	6.39%	3	0,03%	17	0.28%
Private securities	37	0.40%	45	-	50	0.68%	49	0.80%
Derivatives	-	0.00%	-	0.00%	151	2.04%	110	1.80%
Total securities and derivatives	9,148	100.00%	8,526	100.00%	7,409	100.00%	6.111	100.00%
Securities and derivatives as a % of total assets	25.03%	-	26.54%	-	25.47%	-	24.24%	-

Securities and derivatives by currency

The following table sets forth our securities and derivatives portfolio by its currency as of December 31, 2010, 2009 and 2008 and as of September 30, 2011 and 2010.

	As of September 30, (Unaudited)	As of December 31,		
	2011	**2010**	**2009**	**2008**
		(in R$ million)		
Securities in *reais*	9,148	8,526	7,400	6,103
Securities in dollars	-	-	9	8
Total	9,148	8,526	7,409	6,111

Securities and derivatives by maturity

The following table sets forth the breakdown of our securities portfolio by maturity period as of December 31, 2010 and September 30, 2011.

	As of September 30, 2011 (unaudited)				As of December 31, 2010			
	0-90 days	**91-365 days**	**Over 365 days**	**Total**	**0-90 days**	**91-365 days**	**Over 365 days**	**Total**
				(in R$ million)				
Brazilian Government securities	542	403	7,643	8,589	1,390	500	6,046	7,936
Investment funds	522	-	-	522	545	-	-	545
Private securities	11	-	27	38	14	-	31	45
Total securities and derivatives	1,075	403	7,670	9,148	1,949	500	6,077	8,526

Securities and derivatives by index

The following table sets forth our securities and derivatives portfolio categorized by index as of December 31, 2010, 2009 and 2008 and September 30, 2011.

	As of September 30, (Unaudited)	As of December 31,		
	2011	**2010**	**2009**	**2008**
		(in R$ million)		
SELIC [(1)]	8,461	7,783	7,145	5,840
IPCA[(2)]	-	8	10	30
IGP-DI[(3)]	502	536	-	2
IGP-M[(4)]	3	3	3	3
TR[(5)]	173	182	237	230
Fixed Taxes	9	14	14	6
Total securities	**9,148**	**8,526**	**7,409**	**6,111**

(1) SELIC rate.
(2) IPCA, issued by the IBGE.
(3) The General Price Index – Domestic Availability (*Índice Geral de Preços – Disponibilidade Interna*), or IGP-DI, published by the Fundação Getulio Vargas.
(4) General Price Index (*Índice Geral de Preços ao Mercado*), published by the Fundação Getulio Vargas.
(5) TR.

Breakdown and maturity of compulsory deposits

The Central Bank imposes compulsory deposit requirements with respect to deposits issued by the bank. On demand deposits, Brazilian banks are obligated to make a compulsory deposit equal to 43.00% of the sum of the average balances. In the case of savings deposits, the Central Bank requires Brazilian financial institutions to make weekly deposits into an interest-bearing account representing the cash equivalent of 20.00% of the average weekly balances, in addition to allocating 65.00% of the total value of the savings accounts deposits to real estate financing. Time deposits are subject to compulsory deposit and reserve requirements at the rate of 20.00% of the average of the weekly balance.

As of the date of these listing particulars, additional requirements on time deposits, savings deposits and demand deposits are fixed at the following rates: 12.00% of the average weekly balance of time deposit accounts, 10.00% of the average weekly balance of savings deposits, and 12.00% of the average weekly balance of demand deposits.

Financial institutions are further obligated to invest 28.00% of their average demand deposits (to be decreased to 27.00% and 26.00% as of July 2012 and July 2013, respectively) in agricultural financing. Any financial institution that fails to meet this requirement is subject to fines by the Central Bank calculated on the daily difference between the requirement and the amount effectively directed towards agricultural financing. At the discretion of the financial institution, the amount not utilized in agricultural financings may remain deposited in a non-interest-bearing account at the Central Bank. For further information on compulsory reserves, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Regulations Affecting Financial Market Liquidity—Compulsory Deposits and Other Requirements." We have been in compliance with these Central Bank investment regulations in the past three years.

Regarding transactions with notes and securities, the Central Bank may from time to time stipulate compulsory deposit and reserve requirements for certain types of financial transactions, like repurchase agreements, export notes, derivative transactions and certain types of assignments. Currently, Central Bank Circular 2,820, dated as of May 27, 1998, does not establish any required rate for such transactions.

The following table sets forth the distribution of our restricted deposits (mandatory reserve requirements) and the maturity of our total deposits. as of September 30, 2011.

	As of September 30, 2011 (Unaudited)
	(in R$ million)
Demand deposits and other funds	499
Additional obligations	361
Savings deposits	1,007
Other deposits	41
Bacen time deposits	616
Compulsory deposits - Central Bank	2,524
Third-party acquired portfolio	630
Own portfolio	16
Salary Variation Compensation Fund (FCVS)[1]	646
Correspondents	32
Agreements	3
Total	3,205
91-365 days	2,559
Over 365 days	646

(1) Housing Financial System (*Sistema Financeiro de Habitação*), or SFH.

Lending operations

The following table presents a summary of our loan portfolio according to the borrowers' economic activity and the percentage of each type of credit compared to the total loan portfolio on the dates indicated.

	As of September 30, (Unaudited)		**As of December 31,**					
	2011		**2010**		**2009**		**2008**	
	2011 (in R$ million)	**% of Total**	**2010 (in R$ million)**	**% of Total**	**2009 (in R$ million)**	**% of Total**	**2008 (in R$ million)**	**% of Total**
Public Sector								
Government – direct and indirect administration[1]	122	**0.62%**	107	0.63%	100	0.75%	156	1.36%
Corporate – other services[2]	-	-	19	0.11%	22	0.16%	35	0.31%
Total public sector	**122**	**0.62%**	**126**	**0.74%**	**122**	**0.91%**	**191**	**1.67%**
Private sector								
Agricultural	1,584	8.06%	1,285	7.54%	1,021	7.61%	853	7.45%
Industrial	3,889	19.79%	3,505	20.58%	2,963	22.09%	2,893	25.26%
Commercial	2,325	11.83%	2,011	11.81%	1,615	12.04%	1,590	13.88%
Services and other	1,791	9.11%	1,476	8.67%	1,256	9.36%	1,085	9.47%
Individuals	8,333	42.40%	7,345	43.12%	5,353	39.91%	3,881	33.88%
Real estate	1,611	8.20%	1,285	7.54%	1,085	8.09%	961	8.39%
Total private sector	**19,533**	**99.38%**	**16,907**	**99.26%**	**13,292**	**99.09%**	**11,263**	**98.33%**

	As of September 30, (Unaudited)		As of December 31,					
	2011		2010		2009		2008	
Total of loan portfolio	**19,655**	**100.00%**	**17,033**	**100.00%**	**13,414**	**100.00%**	**11,454**	**100.00%**
Allowance for loan losses	**1,285**	**6.54%**	**1,102**	**6.47%**	**1,017**	**7.58%**	**971**	**8.48%**

(1) Government – direct and indirect administration includes lending operations undertaken directly by municipal governments, and state and municipal agencies.

(2) Corporate – other services includes lending operations undertaken through government-controlled entities, such as companies providing sanitation and electricity services.

As evidenced by the profile of our borrowers, our loans are mainly directed to individuals and companies from the private sector, which accounted for 99.38% of our loan portfolio for the nine-month periods ended September 30, 2011, 99.26% of our loan portfolio for the year ended December 31, 2010, 99.09% of our loan portfolio for the year ended December 31, 2009 and 98.33% of our loan portfolio for the year ended December 31, 2008. The share of loans held by individuals has grown from 33.88% on December 31, 2008 to 39.91% on December 31, 2009, 43.12% on December 31, 2010, and 42.4% in the nine-month period ended September 30, 2011.

We focus our operations on lending to individuals and to small and mid-sized companies. We have made great efforts to automate the process of granting loans and to develop mathematical models to help us approve such operations. Our restructuring of the process for granting loans has included simplifying our internal process and our product portfolio, data modeling, the introduction of statistical tools for new products aimed at individuals and companies.

Our internal decision-making process for corporate lending is undertaken exclusively by credit committees, which are organized in our branches and at our corporate headquarters according to specific lending ceilings. These ceilings set the maximum loan amounts the credit committees may approve and may vary in relation to the type of guarantees required by each transaction. Our branch loan portfolios are monitored periodically, and a loan limit may be reduced or the committee's operations suspended where the business is being conducted outside of the parameters which we have defined.

In addition to analysis by the credit committees at our corporate headquarters, real estate, agricultural and development financing transactions are analyzed by technical personnel from the relevant departments, whose role is to give an opinion as to the feasibility, payment capacity and the possibility of return on investment.

The credit committees at our corporate headquarters include: the credit committee and risk analysis desk, the executive management and the board of directors. There are two decision-making levels at our corporate headquarters: (i) for transactions exceeding the branch limits, which are set according to the size of the branch, or up to R$2.0 million the transactions are approved by Decision Group II, comprising of the managers of the lending operations unit, which is responsible for management of the loan portfolio; and (ii) for transactions where the amount is between R$1.0 million and R$2.0 million, the transactions are approved by Decision Group I, comprising of the unit superintendents. Transactions valued at over R$2.0 million are decided upon by a committee composed of the executive management.

Concentration of loan portfolio

The following table presents the concentration of our loan portfolio as of December 31, 2010, 2009 and 2008 and September 30, 2011.

	Nine-month period ended September 30, (Unaudited)	Year ended December 31,		
	2011	2010	2009	2008
		(in R$ million)		
10 largest lending operations	2,896	2,708	1,720	1,030
50 largest lending operations	1,965	1,613	1,404	1,200
100 largest lending operations	1,611	1,304	1,099	1,047
Other operations	13,182	11,408	9,191	8,177
Total	**19,654**	**17,033**	**13,414**	**11,454**

Allowance for loan losses

The following table presents changes in our allowance for loan losses as of December 31, 2010, 2009 and 2008 and September 30, 2011.

	Nine-month ended September 30, (Unaudited)	Year ended December 31,		
	2011	2010	2009	2008
		(in R$ million)		
Beginning balance	**1,102**	**1,017**	**971**	**892**
Provision recorded in the period	464	518	422	256
Write-offs	(281)	(433)	(376)	(178)
Ending balance	**1,285**	**1,102**	**1,017**	**971**
Recovery of credits previously written off	90	135	88	69
Write-offs as a percentage of total loan portfolio	1.43%	2.54%	2.80%	1.55%
Allowance for loan losses as a percentage of the total loan portfolio	6.54%	6.47%	7.58%	8.48%

The allowance for loan losses is set at an amount considered sufficient to cover probable losses, based on the minimum percentages for such provisions as required by CMN Resolution No. 2,682/99 for each level of risk and supplemented by a provision equal to 100% of the balance of transactions more than 60 days past-due, including long-term transactions with installments more than 60 days past-due, as well as renegotiated loans that have yet to expire.

Our policy of recovering past due loans gives priority to obtaining liquidity in the shortest time possible through collection immediately after maturity, or even by monitoring loans granted which show signs suggesting that we may have collection problems in the future. In such cases, the loans are restructured even before their maturity date.

We have an automated system for recording outstanding loans in liquidation and loans booked as a loss. In addition to having access to our branch network in order to analyze each client's transactions, our department responsible for outstanding loans undertakes administrative collection actions, including (i) registering with the Credit Protection Service (*Serviço de Proteção ao Crédito*), and the Credit Information Service Company (*Centralização de Serviços de Bancos S.A.*), or SERASA, (ii) issuing a letter addressed to the debtor reminding him or her of the outstanding debt, (iii) issuing a letter to the participants in defaulting operations requesting regularization, and (iv) issuing notice of default with a view toward further legal action and judicial sale recovery.

The credit committees and credit management units are responsible for monitoring all loans granted. In the case of loan recovery, specific teams are mobilized at the offices of the regional superintendent, which recover loans already recorded as a loss. Outsourced collection companies and our in-house team of lawyers, who are highly specialized and experienced in such proceedings, also assist us in the process of collecting unpaid loans.

Loans with increased risk

All loans and lease transactions are classified based on our management's risk assessment, which considers the economic scenario, risk analysis procedures, past experience and specific risks related to the operation, the debtors and the guarantors. Pursuant to CMN Resolution No. 2682/99, we are required to periodically classify our portfolio by nine risk levels, from AA to H.

The following table presents a summary of the loans known as "loans with increased risk," comprising risk I loans (loans classified in the "D" to the "G" categories, in accordance with the terms established in CMN Resolution No. 2,682/99) and risk II loans (loans classified in the "H" category, under the same resolution) in comparison to relevant assets. The policy of classifying loans as loans with increased risk complies with credit quality and provision ratings issued by the Central Bank and represents loans rated in the "D" to "H" categories. As of September 30, 2011, we believe our allowance for loan losses is adequate to cover known risks in our loan portfolio.

	As of September 30, (Unaudited)	As of December 31,		
	2011	2010	2009	2008
		(in R$ million, except percentages)		
Total assets	36,554	32,128	29,084	25,205
Total loan portfolio	19,655	17,033	13,414	11,454
Loans with increased risk[1]	2,159	1,795	1,592	1,628
Loans with increased risk compared to total loan portfolio [1]	10.98%	10.54%	11.87%	14.21%
Loans with increased risk compared to total assets[1]	5.91%	5.59%	5.47%	6.46%
Allowance for loan losses	1,285	1,102	1,017	971
Allowance for loan losses as a percentage:				
of the total loan portfolio	6.54%	6.47%	7.58%	8.48%
of loans with increased risk	59.52%	61.39%	63.88%	59.64%

(1) Includes D-H ratings.

Funding

Time deposits are our main method of fundraising, accounting for more than one third of our total funding. These funds are remunerated at fixed or floating rates, usually linked to the money market deposit rate. The proportion of deposits taken at fixed and floating rates varies depending on market expectations concerning the behavior of interest rates.

Our second most important method of fundraising is savings deposits. Through savings deposits Brazilian banks raise funds and remunerate small investors, making this a common and popular product in the Brazilian market. Interest is paid one month after the funds are first deposited, in the case of individual savers and not-for-profit companies, and 90 days after the funds are first deposited in the case of for-profit companies. At present, the rate applicable to all savings accounts in Brazil is 0.5% per month, plus the TR.

Equally important among our sources of funding is money market funding, which is used to regulate the institution's liquidity. Money market funding is transactions we undertake with other financial institutions where the term is usually one business day for the purchase or sale of federal government bonds and where the return on the transaction is set when the repurchase or re-sale transaction takes place. Although the spreads on these transactions are usually small, these instruments are highly liquid and facilitate our cash management.

Demand deposits are funds deposited in call accounts, on which the customer receives no remuneration. Third-party funds, or loans entered into with official development institutions or abroad, account for the remainder our total funding. We raise funds abroad when we identify a borrower for them in Brazil. The average annual interest rates paid in the years ended December 31, 2010, 2009 and 2008, and in the nine-month period ended September 30, 2011, were 2.98%, 3.48%, 4.64% and 3.17%, respectively.

The following table presents our funding as of the dates indicated.

	As of September 30, (Unaudited)		As of December 31,					
	2011		2010		2009		2008	
	2011 (in R$ million)	% of Total	2010 (in R$ million)	% of Total	2009 (in R$ million)	% of Total	2008 (in R$ million)	% of Total
Demand deposits	2,556	8.49%	3,780	14.20%	2,101	8.68%	1,864	9.01%
Savings deposits	5,072	16.85%	5,580	20.97%	5,637	23.29%	4,806	23.22%
Interbank deposits	12	0.04%	12	0.05%	90	0.37%	12	0.06%
Time deposits	13,269	44.07%	9,680	36.38%	8,531	35.24%	7,558	36.52%
Other	1	0.00%	1	0.00%	12	0.05%	16	0.08%
Money market funding	1,634	5.43%	1,311	4.93%	2,006	8.29%	2,234	10.80%
Interbank accounts	307	1.02%	10	0.04%	11	0.04%	12	0.06%
Interbranch accounts	243	0.81%	170	0.64%	150	0.62%	113	0.55%
Borrowings and onlendings	2,004	6.65%	1,622	6.10%	1,482	6.12%	1,370	6.62%
FRDJ[1]	5,012	16.65%	4,445	16.70%	4,140	17.10%	2,672	12.91%
Derivatives	0	0.00%	0	0.00%	47	0.19%	36	0.17%
Total funding	**30,110**	**100.00%**	**26,611**	**100.00%**	**24,206**	**100.00%**	**20,693**	**100.00%**

(1) Judicial Deposits (*Fundo de Reserva de Depósitos Judiciais*).

Our total indebtedness (liabilities) as of September 30, 2011 increased by R$3,662.99 million, or 12.81%, to R$32,255.96 million from R$28,592.96 million for the nine-month period ended September 30, 2010, mainly due to a 39.19%, or R$3,736 million, increase in funding from time deposits from retail customers. The increase in our total indebtedness reflects the increase total assets for the nine-month period ended September 30, 2010.

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

The following discussion contains an analysis of our financial condition and results of operations as of and for the nine-month periods ended September 30, 2011 and 2010 and as of and for the years ended December 31, 2010, 2009 and 2008. The following discussion should be read in conjunction with our audited and unaudited consolidated financial statements and the reports and the notes thereto included elsewhere in these listing particulars as well as the information included in "Presentation of Financial and Certain Other Information," "Summary Financial Information" and "Selected Financial Information."

Overview

We are a Brazilian multiple-service bank founded in 1928 and controlled by the State of Rio Grande do Sul, which owns 57.0% of our 408.97 million total shares and 99.6% of our 205.0 million voting shares. As of September 30, 2011, we were one of the three most profitable of the 20 largest Brazilian banks (based on total assets) in terms of return on shareholders' equity, according to Central Bank data. With over 440 branches, 279 banking service stations (these are stations located in government or private corporate buildings and are designed to provide all banking services for such governmental or private entity) and 553 electronic service stations (these are self-service stations linked to our banks, as opposed to a business), we have the largest banking network in the State of Rio Grande do Sul according to the Central Bank, and we believe that we have the largest customer base of any bank operating in that state. As of September 30, 2011, according to the Central Bank, we were the 11th largest Brazilian bank in terms of total assets, the 3rd largest Brazilian public financial institution in terms of total assets, the 8th largest Brazilian bank in terms of total deposits, and the 11th largest financial institution in terms of shareholders' equity.

Brazilian Economic Conditions

The macroeconomic scenario in Brazil has been characterized by increased economic activity and relative stability of the inflation indices.

In 2008, the crisis did not significantly affect the growth rate of the Brazilian economy, with GDP increasing by 5.16% following the same trend as the past years Inflation, as measured by IPCA, for the year ended on December 31, 2008 was 5.90%, which was within the range established by the Central Bank. The inflation rate remained within this range primarily as a result of the increase in the base interest rate by the Central Bank in 2008 from 11.25% to 13.75%.

The main impact of the global financial crisis on the Brazilian economy in 2008 was the reduction in economic expectations in 2009 and 2010, which led an increase in the cost of capital to third parties, a devaluation of the real, a decrease in stock market prices, and a reduction of industrial production.

In 2009, the Brazilian economy showed certain resistance to the effects of the crisis. Even so, the Brazilian economy ended the year with a slight decrease of 0.64% in economic growth, influenced by the weak performance of the industrial sector. Additionally, macroeconomic conditions and a stable economy allowed the Central Bank to again focus on reducing interest rates. In August 2009, the SELIC rate reached its lowest level, of 8.65%. Similarly, the *real* appreciated 34.22% against the U.S. dollar throughout 2009. According to the Central Bank, international reserves reached U.S.$239 billion on December 31, 2009, demonstrating a significant increase as compared to 2008.

Following the slight decrease in GDP in 2009, the Brazilian economy improved in 2010 with a real growth of 7.49%. This economic recovery was due in part to strong domestic market expansion. Income transfer policies, a continuous increase in the minimum wage and growth in employment levels also contributed to this recovery. Household consumption was estimated to have increased by 7.9% which, together with long-term investment, were the main factors for strong aggregate demand performance in 2010. Gross fixed capital grew 25.59% in 2010, reaching an investment rate of 18.4%.

The official inflation rate, reached a high of 5.91% in 2010, which was influenced by internal and external factors. Internally, seasonal factors in the agricultural supply and demand growth for goods and services put pressure on the inflation index. External pressures associated with rising prices of major agricultural commodities and metals also impacted the inflation index.

As for monetary policy, the Central Bank, in response to the international financial crisis, sought to normalize liquidity conditions in the economy, raising certain reserve requirements rates from 15.0% to 20.0%.

The SELIC rate increased by 2.00% in 2010, from 8.75% to 10.75%, and it increased by 1.25% during the nine-month period ended September 30, 2011 to 12.00%.

Brazil posted a trade surplus of U.S.$20.3 billion in 2010, with exports totaling U.S.$201.9 billion (32.0% higher than in 2009), mainly due to the recovery of the global economy and an increase in commodity prices. As of September 30, 2011, the balance of trade had a surplus of U.S.$150.0 billion. Imports amounted to U.S.$181.6 billion in 2010 compared to U.S.$127.7 billion in 2009, an increase of 42.2%, and they amounted to U.S.$167.0 billion for the nine-month period ended September 30, 2011 compared to U.S.$132.2 billion for the corresponding period in 2010, an increase of 26.32%. This growth was driven by the appreciation of the *real* and growth in domestic demand.

The balance of payments reached a surplus of U.S.$49.1 billion in 2010 and U.S.$56.6 billion in the nine-month period ended September 30, 2011. The current account presented a deficit of U.S.$47.4 billion in 2010 and a deficit of U.S.$36.0 billion in the nine-month period ended September 30, 2011 (which corresponds to 2.27% and 1.99% of GDP, respectively), compared to the deficit of U.S.$24.3 billion, or 1.52% of GDP, recorded in 2009. Net inflows of foreign direct investment reached a record value of U.S.$48.5 billion in 2010, an increase of 86.8% compared to the previous year's result and U.S.$50.4 billion in the nine-month period ended September 30, 2011. Foreign portfolio investment showed net inflows of U.S.$67.8 billion in 2010, 31.0% higher than in 2009 and showed net inflows of U.S.$25.6 billion in the nine-month period ended September 30, 2011, 44.55% lower than in the same period of 2010.

The exchange rate in 2010 experienced low volatility, especially when compared to the previous two years. However, the heavy influx of capital has exerted strong pressure on the exchange rate. As a result, the *real* appreciated against the U.S. dollar in 2010 from R$1.74 to R$1.66. Over the nine-month period ended September 30, 2011, the *real*/U.S. dollar exchange rate increased from R$1.66 to R$1.85/1.00.

The Central Bank's policies with respect to both the spot and futures markets have caused international reserves to grow 17.0%, totaling U.S.$288.6 billion in December 2010 and 21.2%, totaling U.S.$349.7 billion as of September 30, 2011.

The following table shows data relating to Brazilian GDP growth, inflation and the *real*/U.S. dollar exchange rate for the periods indicated:

	Nine-month period ended September 30,	**Year Ended December 31,**		
	2011	**2010**	**2009**	**2008**
GDP growth rate	2.10%	7.49%	(0.64)%	5.16%
Inflation (IGP-M)	4.15%	11.32%	(1.72)%	9.81%
Inflation (IPCA)	4.97%	5.91%	4.31%	5.90%
Appreciation (depreciation) of the real vs. the U.S. dollar	(11.30%)	4.50%	34.22%	(24.21)%
Period-end exchange rate – U.S.$1.00	R$1.85	R$1.66	R$1.74	R$2.34
Average exchange rate – U.S.$1.00	R$1.63	R$1.76	R$2.00	R$1.84

Sources: Fundação Getúlio Vargas, Ipeadata, IBGE and the Central Bank.

Rio Grande do Sul

According to the estimates of FEE, the state's GDP grew 2.74% in real terms in 2008 to R$199.5 billion. This growth was partially offset by the result of slower growth in the agricultural sector. A lengthy drought caused significant decline in the state's grain production. There was substantial growth in the industrial sector as a result of growth in the industrial and construction segments. The services sector grew by 4.6% in 2008, driven by the growth in its component segments – commerce, transport, public administration and other services.

According to the Economy and Statistics Foundation of the Rio Grande do Sul State (FEE), the regional GDP reached R$207.3 billion in 2009, which corresponds to a negative growth rate of 0.81% as compared to the previous year. This was a result of the decrease in foreign demand originated by the global financial crisis, when many markets to which the State of Rio Grande do Sul exports were affected. Consequently, volumes and prices of goods sold were lower than in the previous years. Also, the unfavorable weather negatively impacted harvests, especially revenues from corn, which declined by 20.2% and wheat crops, which declined by 17.0%.

However, by the end of that year, the key sector indicators of the state economy began to show a recovery in economic activity. According to the Rio Grande do Sul Industries Federation (FIERGS), there were clear signs of a recovery in industrial activity, especially between May and November, when this sector grew by 6.7%. There was also a recovery in revenues as a result of increased domestic demand and the positive exchange rate variation. Additionally, installed capacity utilization also rose in the period to 83.6%.

In 2010, GDP reached R$228.3 billion with a real growth of 7.84%. The industrial sector represented 24.57% of the State's GDP and increased by 10.3% in 2010. This was one of the highest growth rates experienced by this sector in the previous 15 years, only below the rates in 1986 (10.5%), 1993 (18.0%) and 1994 (10.4%). This performance was mainly related to the 11% increase in the manufacturing industry.

The agricultural and cattle-breeding sectors represents 10.22% of the total GDP of Rio Grande do Sul and increased 8.9% in 2010 – with 10.9% growth from the agricultural sector and 4.9% growth from cattle-breeding. Soybean and corn, the two main agricultural products of the State, also contributed to the expansion of the State's production in 2010. The services sector accounts for 65.22% of the State's GDP and grew 6.8% as a result of the population increase and higher use of services.

The State's GDP grew 5.7% in real terms in 2011 to R$273.9 billion, according to the FEE. There was substantial growth in the industrial sector as a result of growth in the tobacco, machinery & equipments, food, metal products, automotive and chemical industries. The services sector grew by 5.2% in 2011, driven by the growth in the segments of repair, transport, public administration and other services. Also, the agricultural sector posted positive results, increasing 18.8% from the 9.4% it represented from the state's Gross Value Added (VAB) in 2010, given the increase in productivity of some of the most important crops, such as rice (30.1% growth in volume), tobacco (44.9% growth in volume) and soybean (10.9% growth in volume).

Principal Factors Generally Affecting Financial Condition and Results of Operations

Our financial performance and results of operations are mainly affected by the factors described below.

The Global Financial Crisis

The global financial markets crisis has significantly affected the world economy since the last quarter of 2008. The crisis led to recessions and increasing unemployment in the world's leading economies, to a reduction in investments on a global scale, a decrease in commodities prices and a sharp decline in credit availability and liquidity, as well as a general reduction in the levels of transactions in the capital markets worldwide. Although the world economy and the credit and capital markets had been recovering throughout 2010 and early 2011, the condition of the global financial markets deteriorated again during 2011.

One of the main reasons for the increased risk in the global financial markets stems from fiscal problems in Europe, such as the high debt levels that impair growth and increase the risk of sovereign default. In Greece, continued political and financial instability have increased uncertainties as to the outcome of the efforts by euro zone leaders to renegotiate unsustainable debt levels.

Worries regarding the fiscal crisis in Europe intensified in the third quarter of 2011 and the probability of a new global recession increased, with heightened risk aversion and volatility in financial markets. Markets fear sovereign or bank defaults and the lack of political coordination in Europe.

There is a risk that the Greek crisis may spread to other highly indebted countries. These countries' debt is held by international financial institutions, and their economic situation may impact the results of banks and investment funds world-wide.

Markets have recently focused on Italy's high debt levels and large fiscal deficit, sharply increasing the country's sovereign risk. Although a new government coalition has approved fiscal reforms in order to improve the country's fiscal prospects and reverse market sentiment, there is a risk that Italy will not be able to

finance its debt in the short term. In addition, growth, consumer spending and production levels in Europe were below expectations through 2011. Although the European Union has been taking measures to face these difficulties, a financial deterioration of any of these countries may impair growth of economies worldwide and, indirectly, Brazil's growth.

Fiscal problems in the U.S. due to difficulties and delays to increase the government debt ceiling, culminating in the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor's on August 6, 2011, added to an already high risk-aversion environment. Meanwhile, renewed doubts about the pace of global growth, particularly in the U.S., contributed to an already weak international growth outlook.

The pace of growth in the U.S. economy was negatively affected in the second quarter of 2011 by a weak labor market, impacting consumer confidence and spending. Production in general, and vehicle production in particular, was reduced due to difficulties in supply of Japanese parts following the earthquake, tsunami and nuclear accident that hit Japan in the first quarter of 2011. Although growth in the third quarter of 2011 surpassed expectations, with an increase in domestic demand and smaller net imports, we believe that the pace of growth in the U.S. economy will be moderate in the coming quarters.

Finally, emerging markets, including Brazil and China, are experiencing the first signs of growth deceleration. While China's government is expected to move gradually from a tightening policy to a more flexible stance, the Central Bank has already started a monetary easing cycle. Although less growth is expected than in previous quarters, emerging markets may outperform the developed world.

Our results of operations since the last quarter of 2008 have been partially negatively affected by the global financial markets crisis. Fiscal problems in advanced economies, sluggishness in the developed world and inflation and other issues in developing economies may have an impact on future growth in Brazil and, therefore, on our results of operations.

Interest rates

Fluctuations in Brazilian interest rates significantly affect our results of operations. An increase in interest rates results in an increase in our income from interest earning assets including an increase in our income from lending transactions. On the other hand, our interest expenses may also increase if interest rates related to our interest-bearing liabilities increase. Generally, an increase in interest rates increases our income from lending operations due to the higher spreads we are able to charge. However, interest rate increases can also negatively affect our results of operations and loan portfolio by reducing the demand for loans and increasing the risk of default by our customers.

A decrease in interest rates may lead to a reduction of our income and adversely affect our results of operations. Such decreases in income may occasionally be offset by an increase in the volume of loan transactions as a result of higher demand for loans, provided we are able to meet this demand for loans without incurring significant increases in the default rates of our customers.

For 2008, 2009 and 2010, and the nine-month period ended September 30, 2011, the SELIC rate was 13.75%, 8.75%, 10.75% and 12.00%, respectively. Despite the increase in the SELIC rate, according to the Central Bank's data, as of December 31, 2008, 2009 and 2010 and as of September 30, 2011, the average spreads in the Brazilian banking sector were 39.9%, 29.8%, 27.8% and 32.9%, respectively.

The decrease in nominal and real interest rates and the resulting decrease in the spreads from our lending operations, combined with the decrease in revenues from treasury operations and floating funds have led us and may other Brazilian banks to reconsider our strategies, including by means of expanding the scope of our operations (including lending operations and services) in order to offset the reduced margins from lending and treasury operations.

GDP growth and the growth of the volume of lending in Brazil

General

Real GDP growth rates materially affect our results of operations, mainly because the growth in economic activity results in the increase of the volume of lending operations in Brazil and in the State of Rio Grande do Sul. In 2010, 2009 and 2008, Brazil's GDP increased by 7.49%, decreased by 0.64% and increased by 5.16% compared to the previous year, respectively, and the GDP of the State of Rio Grande do Sul increased by 7.8%, decreased by 0.8% and increased by 2.8%, respectively. Accordingly, the balance of our loans

portfolio at December 31, 2010, 2009 and 2008 increased by 27.0%, 17.1% and 42.7%, respectively, compared to the balance of our loans portfolio at December 31 of the previous fiscal year. The balance of our loan portfolio at September 30, 2011 increased by 53.8%, 53.0%, 46.1% and 45.4% of our total assets at September 30, 2011 and December 31, 2010, 2009 and 2008, respectively.

The Brazilian credit market has been impacted by the effects of the macroprudential measures taken by the Central Bank and the tightening of monetary policy, as credit has grown at a more moderate pace in the first nine months of 2011 as a result of tighter credit conditions. New loans to consumers in September 2011 were 2.9% lower in seasonally adjusted real terms than in November 2010, the month that preceded the first round of macroprudential measures related to credit. The behavior of new consumer loans in the first nine months of 2011 reflected higher rates, spreads and also default rates. Business lending is also facing tighter conditions.

The expansion of our loan portfolio is in line with the expected growth of lending operations in Brazil in the short-term, mainly with respect to individual loans, such as payroll-deduction loans and consumer loans. According to industry projections, it is expected that interest rates will decrease and loans with longer terms will be offered by Brazilian financial institutions. In addition, we expect an increase in loans to small- and medium-sized companies, an important part of our business, as a result of the Brazilian economy's improved performance and GDP growth.

Inflation

Our net income can be adversely affected by higher inflation rates in Brazil, which generally increases our operating costs and reduce our operating margins, unless the inflation increase is matched by a corresponding increase in interest rates. In addition, inflation may also contribute to or be accompanied by an increase in market volatility, economic uncertainty and reduced consumption, growth of real income and consumer confidence. These factors that may also adversely affect our results of operations.

Inflation rates in Brazil have been volatile in the past but have become more stable since 2002. The decrease in inflation rates during recent years was mainly due to the monetary policies implemented by the Brazilian Central Bank, including periodic changes in interest rates and the appreciation of the real against the dollar.

Inflation calculated according to the IGP-M was 9.81% in 2008, (1.72)% in 2009 and 11.32% in 2010. Prices calculated according to the IPCA increased by 5.90% in 2008, 4.31% in 2009 and 5.91% in 2010.

Certain Effects of Foreign Exchange Rates on Our Net Interest Income

The variation of the *real* may affect our net interest income. A certain amount of our financial assets and liabilities are denominated in or indexed to foreign currencies, primarily the U.S. dollar. When the *real* depreciates, we incur losses on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and short-term borrowings, because the cost in *reais* of the related interest expense increases. At the same time, we realize gains on monetary assets denominated in or indexed to foreign currencies, such as our dollar-indexed trading securities and loans, due to increased interest income from such assets measured in *reais*. When the *real* appreciates, the effects are the opposite of those described above. Consequently, the management of the gap in foreign currencies can have material effects on our net income. Our foreign currency gap management also takes into account the tax effects of such positions. As the profits from exchange rate variation on investments abroad are not taxable, we aim to maintain sufficient hedges (a liability position in foreign exchange derivatives) to reduce the potential effects from our total foreign-exchange exposure, net of tax effects.

Critical Accounting Policies

General

The accounting policies adopted by us are critical to understanding our results of operations and our financial statements as of and for the years ended December 31 2010, 2009 and 2008 and our financial statements as of and for the nine-month periods ended September 30, 2011 and 2010, included elsewhere in these listing particulars. These accounting policies are described in detail in the notes to our financial statements. Certain of our accounting policies require significant estimates and judgment by our management on matters that are inherently uncertain, including the valuation of certain assets and liabilities and the adoption of estimates and assumptions based on past experience and other factors considered reasonable and significant by our management. We have established policies and control procedures intended to ensure that stringent

valuation methods are applied in accordance with applicable accounting practices during the preparation of our financial statements for the relevant period. These policies and procedures help to ensure that the process for changing methodologies occurs in an appropriate manner.

Securities

According to Central Bank Circular No. 3,068 of November 8, 2001 and complementary regulation, securities are classified and assessed into three specific categories, in conformity with the following accounting criteria:

- *Trading Securities*: These are securities acquired to be actively and frequently traded. They are measured at fair value, and any gains or losses are recognized in the income statement.

- *Available-for-Sale Securities:* These securities are part of our strategy to manage the risk of changes in interest rates, and they may be traded as a result of these changes, changes in payment conditions and other factors. These securities are adjusted to fair value, and income earned is recorded in the income statement. Unrealized gains and losses from changes in fair value are recorded in a separate shareholders' equity caption, net of taxes, called "Valuation Adjustments to Equity," until the gains and losses are realized through a sale. Theses gains and losses, when realized, are recorded in the income statement on the trading date, and there is a corresponding change to "Valuation Adjustments to Equity."

- *Held-to-Maturity Securities:* These are securities which management has the intention and financial capacity to hold to maturity. These securities are recorded at cost plus income earned on a *pro rata temporis* basis. Financial capacity is based on cash flow projections.

Loans, Lease Transactions and Other Receivables with Credit Characteristics

All loans and lease transactions are classified based on our management's risk assessment, which takes into account Brazilian economic environment, past performance and the specific risks related to the relevant transaction, borrower and guarantors, if any. CMN Resolution No. 2,682/99 requires us to periodically review our loan portfolio and classify each loan according to one of nine risk levels, ranked from AA to H.

Loans and lease transactions that are at most 60 days overdue are recorded at present value, calculated on a daily pro rata basis, based on the agreed index and interest rate. For loans and lease transaction that are overdue by more than 60 days, income is recognized only when received.

According to CMN Resolution No. 2,682/99, loans that are restructured are maintained in at least the same level in which they are classified at the time of the restructuring. The restructuring of lending operations that have already been written off are classified as level H. Any revenues from restructured loans are only recognized when effectively collected.

Allowance for loan losses, for doubtful lease receivables and for losses on other receivables

The allowances for loan losses is recorded as an amount considered sufficient to cover possible losses, taking into consideration the customer's risk level classification, which is based on periodic assessment of credit quality and not only on the minimum percentages required by the CMN Resolution No. 2,682/99. Our total allowance for loan losses is higher than the allowance for loan losses required to be recorded pursuant to CMN Resolution No. 2,682/99, which reflects our conservative provisioning policies.

Permanent Assets

Our permanent assets are recorded based on acquisition cost, adjusted for inflation through December 31, 1995, taking into account the following:

- investments in subsidiaries are accounted for under the equity method, in accordance with the Brazilian accounting practices applicable to financial institutions. Other investments are stated at cost and adjusted for allowances for permanent losses, when applicable;

- depreciation of property and equipment, which is calculated using the straight-line method, is based on the expected economic useful lives of the assets, taking into account the annual minimum rates set by the Central Bank;

- intangible assets primarily consist of investments whose benefits will be realized in the future, and they include bank services contracts and software acquisitions. Amortization is calculated under the straight line method at the rates; and

- we annually review our intangible assets for impairment losses. When identified, these losses are charged to income.

Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities of branches located outside of Brazil denominated in foreign currency have been translated into *reais* using the prevailing exchange rate at each period's end.

Variations in exchange rates of securities issued in, or pegged to, foreign currencies, and foreign exchange transactions, are recorded as foreign exchange revenues if the variation is negative, and as other operating expenses if the variation is positive.

Deposits, Money Market Funding, Borrowings and Onlendings and Financial and Development Fund

These entries are recorded at the amounts due including, where applicable, any charges due at period-end, accounted for on a pro rata daily basis.

As determined by State Law No.12,069 of April, 22, 2004, as amended by State Law No. 12,585 of August 29, 2006, both enacted by the government of the State of Rio Grande do Sul, 85% of the balance deposited by third parties with us in the escrow deposits is available for the state's use, and the remaining balance is for the FRDJ that we manage. The transferred deposited balances are controlled in an offset account and the portion withheld is recorded as other payables. Expenses on charges on the remaining balance are recorded under expenses with borrowings, assignments and onlendings.

Income from financial operations and Expenses

Interest accrued on typical Brazilian financial assets and liabilities includes nominal interest rates and a monetary correction component. The monetary correction component may be related to an inflation index, changes in foreign exchange rates (usually U.S. Dollar) or other floating interest rates. We apply the interest rate and monetary correction component to the principal balance of each financial operation at the end of each month. This updated value becomes the new basis for the accrual of the next month's interest and monetary correction.

Other revenues

Fees and commissions revenue is generally recognized on an accrual basis in the period in which services are provided, and it is recognized in the income statement when the right to receive the relevant payment is established.

Provisions for Tax, Labor and Civil Lawsuits

We calculate our provisions for contingencies based on the opinion of our legal advisors, using models and applying specific criteria despite the inherent uncertainty regarding the timing of a proceeding and its possible outcome. The criteria we use depend on the nature of the contingencies and are described below:

- *Labor Provisions* – We begin to account for these contingencies once we receive court notification of proceeding involving us and only when the risk of loss is considered as probable. We determine the amount of the contingency according to estimates by our management. Our contingencies are revised based on additional information from our legal counsel, and they are adjusted based on any deposits we make.

- *Civil Provisions* – We begin to account for these contingencies once we receive a notice from the court, and they are adjusted monthly based on the compensation sought by the opposing party, the evidence presented, and legal counsel's evaluation of the risk of loss, which considers previous court decisions, factual support, evidence presented and interim court decisions).

- *Tax and Social Security Provisions* – This refers to taxes which are legally or constitutionally being challenged at the administrative or judicial level. We only recognize contingencies where the likelihood of loss is probable. These contingencies are recognized using the full amount under dispute. For lawsuits with escrow deposits, amounts are not updated until we are authorized to withdraw the deposits as a result of a favorable outcome in the lawsuit.

Income Tax and Social Contribution

This is calculated at the rate of 15% for social contribution tax and 15% (plus a 10% surtax pursuant to legislation) for income tax on taxable income in the period. Deferred income tax and social contribution were calculated based on the rates in force on balance sheet date.

Post-Employment Benefits

We have a "defined benefit" plan for our employees that is recorded in compliance with specific legislation. As required by Brazilian Accounting Standard Procedures (NPC) 26 issued by IBRACON and based on an appraisal report issued by an independent actuary, we review the actuarial position of the plan annually.

Results of Operations

Results of Operations for the Nine-Month Period ended September 30, 2011 compared to the Nine-Month Period ended September 30, 2010

The discussion of our financial statements as of and for the nine-month periods ended September 30, 2011 and 2010 is based on financial information prepared on a consolidated basis.

Income Statement	**Nine-Month Period Ended September 30, (Unaudited)**		
	2011	**2010**	**Variation (%)**
	(*in thousands of R$, except percentages*)		
Income from financial operations	**4,405,258**	**3,531,439**	**24.74%**
Loan operations	3,157,797	2,540,312	24.31%
Lease operations	11,660	11,290	3.28%
Securities	930,461	792,876	17.35%
Foreign exchange	123,743	46,718	164.87%
Compulsory investments	181,597	140,243	29.49%
Expenses of financial operations	**(2,408,038)**	**(1,795,226)**	**(34.14)%**
Funding operations	(1,332,210)	(1,021,405)	(30.43)%
Borrowings, assignments and onlendings	(611,993)	(380,966)	(60.64)%
Derivatives	-	(1,116)	N.A.
Allowance for loan losses	(463,835)	(391,739)	(18.40)%
Gross income from financial operations	**1,997,220**	**1,736,213**	**15.03%**
Other operating income (expenses)	**(950,385)**	**(950,219)**	**(0.02)%**
Income from services rendered	107,008	111,505	(4.03)%
Bank fees income	410,362	356,674	15.05%
Personnel expenses	(798,522)	(687,531)	(16.14)%
Other administrative expenses	(533,928)	(577,884)	7.61%
Tax expenses	(171,259)	(150,324)	(13.93)%
Other operating income	199,810	127,774	56.38%
Other operating expenses	(163,856)	(130,423)	(25.63)%
Income from operations	**1,046,835**	**786,004**	**33.18%**
Income before taxes on income and employee profit sharing	**1,046,835**	**786,004**	**33.18%**
Income tax and social contribution	(328,478)	(240,994)	(36.30)%
Employee profit sharing	(40,569)	(33,500)	(21.10)%
Minority interest	(107)	(126)	15.08%
Net income	**677,681**	**511,384**	**32.52%**

Income from financial operations

Income from financial operations increased 24.74% to R$4,405 million for the nine-month period ended September 30, 2011 from R$3,531 million for the nine-month period ended September 30, 2010, principally due to the R$618 million growth in loan revenues due to a 24.21%, or R$618 million, increase in the balance of our loan portfolio, a R$77 million increase in our foreign exchange operations as a result of the

U.S.$/*real* exchange rate devaluation, and a R$137 million increase in treasury income due to an 11.67% increase in interest rates between September 30, 2010 and September 30, 2011.

Loan and lease operations

Income from loan operations increased 24.31% to R$3,158 million for the nine-month period ended September 30, 2011 from R$2,540 million for the nine-month period ended September 30, 2010. Income from lease operations increased 3.28% to R$12 million for the nine-month period ended September 30, 2011 from R$11 million for the nine-month period ended September 30, 2010. The year-to-date increase in income from loan and lease operations reflects the R$3,417 million increase in loan assets. Loan and lease revenues were positively impacted by a 24.82%, or R$577 million, increase in revenues from commercial loans; a 28.8%, or R$26 million, increase in revenues from real estate loans; a 24.12%, or R$13 million, increase in revenues from agricultural loans and a R$39 million increase in foreign exchange revenues due to the exchange devaluation.

Securities

Securities income increased 17.35% to R$930 million for the nine-month period ended September 30, 2011 from R$793 million for the nine-month period ended September 30, 2010 due to the 1.71% increase in revenues from our treasury bonds as a result of an increase in the accumulated SELIC rate in the period, which increased from 7.03% as of September 30, 2010 to 8.74% as of September 30, 2011. We have a significant participation in the SELIC-indexed bonds issued by the Brazilian Government (LFTs).

Foreign exchange

Foreign exchange income increased 164.87% to R$124 million for the nine-month period ended September 30, 2011 from R$47 million for the nine-month period ended September 30, 2010, due primarily to the volatility of the U.S.$/*real* exchange rate (the U.S.$/*real* exchange rate decreased by 2.70% in the nine-month period ended September 30, 2010 and increased by 11.30% in the nine-month period ended September 30, 2011). The effect of this increase was partially offset by the increased cost of borrowings and onlendings

Compulsory investments

According to the Central Bank, compulsory reserve requirements are as follows: (i) 43.0% of the demand deposits, (ii) 20.0% on time deposits, (iii) 20.0% of savings deposits, (iv) 17% of agricultural savings deposits and (v) 60.0% of exposure to foreign currencies. Compulsory investments increased 29.49% to R$182 million for the nine-month period ended September 30, 2011 from R$140 million for the nine-month period ended September 30, 2010, primarily due to economic measures from the CMN that increased the SELIC rate and the increase in reserve requirements.

Expenses of financial operations

Expenses of financial operations increased 34.14% to R$2,408 million for the nine-month period ended September 30, 2011 from R$1,795 million for the nine-month period ended September 30, 2010, due primarily to (i) the 30.43%, or R$311 million, increase in market funding costs that followed the R$3,736 million increase in the balance of time deposits and (ii) the increase in the SELIC rate as the majority of our funding is linked to the SELIC rate. In addition, expenses of financial operations, loans and onlendings expenses increased 60.64%, or R$231 million, due to a R$616 million increase in FRDJ and a R$391 million increase in onlendings.

Funding operations

Expenses from funding operations increased 30.43% to R$1,332 million for the nine-month period ended September 30, 2011 from R$1,021 million for the nine-month period ended September 30, 2010 due to (i) the 48.41%, or R$275 million, increase in time deposit expenses as a result of the increase in the balance of our time deposits and the increase in the SELIC rate, given the amount of time deposits indexed to the SELIC rate, (ii) the 3.81%, or R$6 million, increase in interbank matched transactions, (iii) an increase in the TR from 0.47% to 0.99%, which increased savings deposit expenses by 8.66%, or R$22 million, despite a 19.43%, or R$1,223 million, reduction in the balance of our savings and (iv) the movement of approximately R$500.0 million in savings deposits to time deposits due to the creation of new types of deposits.

Borrowings, assignments and onlendings

Borrowings, assignments and onlendings expenses increased 60.64% to R$612 million for the nine-month period ended September 30, 2011 from R$381 million for the nine-month period ended September 30,

2010 principally due to R$121 million in expenses from borrowings with foreign banks, a 32.73%, or R$96 million, increase in our FRDJ expenses and a 121.77%, or R$23 million, increase in onlendings under the FINAME program which provided long term credit lines for the purchase of capital goods from BNDES.

Allowance for loan losses

Allowance for loan losses expenses increased 18.40% to R$464 million for the nine-month period ended September 30, 2011 from R$392 million for the nine-month period ended September 30, 2010 due primarily to a 21.05%, or R$3,418, increase in the balance of our loan portfolio and a 16.1%, or R$78.7 million, increase in past due loans over 60 days. The allowance for loan losses provision is adequate to cover all known losses in the loan portfolio.

Gross income from financial operations

Gross income from financial operations expenses increased 15.03% to R$1,997 million for the nine-month period ended September 30, 2011 from R$1,736 million for the nine-month period ended September 30, 2010, due to the 24.3%, or R$617 million, increase in revenues from our loan portfolio, a 17.4%, or R$137 million, increase in treasury income and a R$77.0 million increase in revenues from exchange operations.

Other operating income (expenses)

Other operating income (expenses) increased 0.02% to R$950 million for the nine-month period ended September 30, 2011 from R$950 million for the nine-month period ended September 30, 2010, as a result of the factors described below.

Income from services rendered and bank fees income

Income from services rendered and banking fees increased 10.5%, or R$49.2 million, to R$517.4 million for the nine-month period ended September 30, 2011 due to (i) the 14.4%, or R$25.8 million, increase in checking account fees, (ii) the 19.5%, or R$12.0 million, increase in Banricompras fees and (iii) the 28.7%, or R$2.5 million, increase in income from management fees for our consortium (*consorcio*) products.

Personnel expenses

Personnel expenses increased 16.14% to R$799 million for the nine-month period ended September 30, 2011 from R$688 million for the nine-month period ended September 30, 2010, due primarily to the addition of 487 new employees in an effort to replace retired employees, to hire employees for the new branches and to complete the IT team.

Other administrative expenses

Other administrative expenses decreased 7.61% to R$534 million for the nine-month period ended September 30, 2011 from R$578 million for the nine-month period ended September 30, 2010 primarily due to a decrease in the following costs: (i) R$50 million in promotions and advertising, (ii) R$9 million in specialized technical services and (iii) R$4 million in telecommunication and data processing.

Tax expenses

Tax expenses increased 13.93% to R$171 million for the nine-month period ended September 30, 2011 from R$150 million for the nine-month period ended September 30, 2010 due primarily to a R$618 million increase in income.

Other operating income

Other operating income increased 56.38% to R$200 million for the nine-month period ended September 30, 2011 from R$128 million for the nine-month period ended September 30, 2010 due to (i) the reversal of R$31 million in operational provisions from renegotiation agreements that improved the quality of our portfolio of receivables without credit characteristics, (ii) a R$12 million increase in revenues from exchange adjustments as a result of the U.S.$/*real* exchange rate devaluation, which increased equity in our foreign branches, and (iii) a R$7 million increase in fees related to managing the FRDJ.

Other operating expenses

Other operating expenses increased 25.63% to R$164 million for the nine-month period ended September 30, 2011 from R$130 million for the nine-month period ended September 30, 2010 due to a R$15.2 million increase in reserves for labor expenses, a R$6.1 million increase in legal expenses and a R$3.8 million

increase in provisions for the reward program for our credit cards. These were partially offset by a R$3.1 million decrease in expenses related to foreign exchange adjustments.

Income from operations

Income from operations increased 33.18% to R$1,047 million for the nine-month period ended September 30, 2011 from R$786 million for the nine-month period ended September 30, 2010 as a result of the factors described above.

Income before income taxes and employee profit sharing

Income before income taxes and employee profit sharing increased 33.18% to R$1,047 million for the nine-month period ended September 30, 2011 from R$786 million for the nine-month period ended September 30, 2010 as a result of the factors described above.

Income tax and social contribution

Income tax and social contribution resulted in an expense of R$328 million for the nine-month period ended September 30, 2011 compared to an expense of R$241 million for the nine-month period ended September 30, 2010 due to the 32.5%, or R$166.3 million, increase in income over the period.

Employee profit sharing

Employee profit sharing increased 21.10% to R$41 million for the nine-month period ended September 30, 2011 from R$33 million for the nine-month period ended September 30, 2010 due to an increase in the number of employees, an increase in employee salaries under the collective bargaining agreement and an increase in income.

Minority interest

Minority interest decreased 15.08% for the nine-month period ended September 30, 2011 from R$0.13 million for the nine-month period ended September 30, 2010 due to and increase in shareholder participation from Banrisul Corretora de Valores Mobiliários, which we control.

Net income

Net income increased 32.52% to R$678 million for the nine-month period ended September 30, 2011 from R$511 million for the nine-month period ended September 30, 2010 as a result of the factors described above.

Results of Operations for the year ended December 31, 2010 compared to the year ended December 31, 2009

The following table sets forth certain components of our statement of income prepared in accordance with Brazilian GAAP for the years ended December 31, 2011 and 2010 is based on financial information prepared on a consolidated basis.

Income Statement Data	**Year Ended December 31,**		
	2010	**2009**	**Variation (%)**
	(*in thousands of R$, except percentages*)		
Income from financial operations	**4,841,827**	**4,262,620**	**13.59%**
Loan operations	3,497,519	2,857,233	22.41%
Lease operations	15,407	19,651	(21.60)%
Securities	1,081,955	1,113,347	(2.82)%
Derivatives	—	24,018	N.A.
Foreign exchange	54,544	71,778	(24.01)%
Compulsory investments	192,402	176,593	8.95%
Expenses of financial operations	**(2,445,485)**	**(2,142,893)**	**(14.12)%**
Funding operations	(1,402,666)	(1,334,526)	(5.11)%
Borrowings, assignments and onlendings	(523,158)	(385,728)	(35.63)%
Derivatives	(1,339)	—	N.A.
Allowance for loan losses	(518,322)	(422,639)	(22.64)%
Gross income from financial operations	**2,396,342**	**2,119,727**	**13.05%**
Other operating income (expenses)	**(1,248,518)**	**(1,266,460)**	**(1.42)%**
Income from services rendered	151,181	137,463	**9.98%**
Bank fees income	490,480	441,878	11.00%
Personnel expenses	(966,492)	(901,002)	(7.27)%
Other administrative expenses	(743,226)	(678,885)	(9.48)%
Tax expenses	(203,998)	(181,984)	(12.10)%
Other operating income	208,903	143,711	45.36%
Other operating expenses	(185,366)	(227,641)	18.57%
Income from operations	**1,147,824**	**853,267**	**34.52%**
Income before taxes on income and employee profit sharing	**1,147,824**	**853,267**	**34.52%**
Income tax and social contribution	(357,056)	(267,597)	(33.43)%
Employee profit sharing	(49,304)	(44,403)	(11.04)%
Minority interest	(222)	(171)	(29.82)%
Net income	**741,242**	**541,096**	**36.99%**

Income from financial operations

Income from financial operations increased 13.59% to R$4,842 million for the year ended December 31, 2010 from R$4,263 million for the year ended December 31, 2009 principally due to our R$636 million growth in revenues from our loan portfolio as a result of: (i) a R$3,618 million increase in the balance of our loan portfolio and (ii) a R$47 million recovery of loans losses principally as a result of our campaign to recover losses throughout the entire service network. These factors helped offset the R$56 million decrease in treasury and derivative revenues as a result of our strategy to direct funds to loan assets.

Loan and lease operations

Income from loan operations increased 22.41% to R$3,498 million for the year ended December 31, 2010 from R$2,857 million for the year ended December 31, 2009. Income from lease operations decreased 21.60% to R$15 million for the year ended December 31, 2010 from R$19 million for the year ended December 31, 2009. This increase in loan revenues reflects the growth of our loan portfolio and the 54.65% increase in recovery rates, both of which were partially offset by the decrease in average interest rates as a result of the 0.14% reduction in market interest rates (SELIC rate) during this period.

Securities

Income from securities decreased 2.82% to R$1,082 million for the year ended December 31, 2010 from R$1,113 million for the year ended December 31, 2009 due to a decrease in the SELIC rate from 9.92% as of December 31, 2009 to 9.78% as of December 31, 2010, which decreased revenues from our treasury bonds.

Derivatives

Income from derivatives was R$24 million for the year ended December 31, 2009. We did not record net derivatives income for the comparable period in 2010. As of December 31, 2009, to minimize the effect of

changes in fixed rates, exchange rates and TR, we entered into swap transactions to exchange these rates for the SELIC rate.

Foreign exchange

Income from foreign exchange operations decreased 24.01% to R$54 million for the year ended December 31, 2010 from R$71 million for the year ended December 31, 2009, primarily due to the appreciation of the *real* against the U.S. dollar, which had the effect of decreasing the value of our dollar-denominated export financing portfolio.

Compulsory investments

Income from compulsory investments increased 8.95% to R$192 million for the year ended December 31, 2010 from R$177 million for the year ended December 31, 2009, due primarily to a 9.93%, or R$54 million, increase in compulsory assets related to the growth of time deposits.

Expenses of financial operations

Expenses of financial operations increased 14.12% to R$2,445 million for the year ended December 31, 2010 from R$2,143 million for the year ended December 31, 2009, primarily due to (i) a R$137 increase in loan and onlending costs as a result of a R$305 million increase in balance of our FRDJ, a R$140 million increase in loan and onlending obligations and adjustments to the rates of onlendings from FINAME, PRONAF and BNDES that will be used to finance customer needs; (ii) the R$96 million in expenses related to loan provisions due to the increase in the balance of our loan operations and a decrease in defaults over 60 days and (iii) the R$68 million in funding costs due to the increase in the balance of deposits and capital markets expenses, which was offset by the decrease in the SELIC rate.

Funding operations

Funding operations expenses increased 5.11% to R$1,403 million for the year ended December 31, 2010 from R$1,335 million for the year ended December 31, 2009, due primarily to the R$1,149 million increase in the balance of time deposits, which offset the R$695 million decrease in the balance of open market funding and the decrease in the SELIC rate.

Borrowings, assignments and onlendings

Borrowings, assignments and onlendings expenses increased 35.63% to R$523 million for the year ended December 31, 2010 from R$386 million for the year ended December 31, 2009 due to the R$137 million increase in onlending expenses which was the result of a R$305 million increase in the balance of the FRDJ, R$141 million in borrowings and transfers and an increase in fees and contracts with BNDES due to a realignment of our portfolio in conjunction with this institution.

Derivatives

Derivatives expenses were R$1 million for year ended December 31, 2010. We did not record derivatives for the comparable period in 2009 because our derivatives presented a net positive result in 2010.

Allowance for loan losses

Allowance for loan losses increased 22.64% to R$518 million for the year ended December 31, 2010 from R$423 million for the year ended December 31, 2009. Despite changes in our policies for our loan portfolio in the year ended December 31, 2010, a R$3,619 million, or 26.97%, increase in the balance of our loan portfolio in 2009 led to an increase in the costs of provisions for loan losses. Because compliance adjustments and improvements in our processes for granting and providing credit to individuals led to the reversal of provisions at the end of 2009, we recorded an increase in the balance of these provisions at the end of that period. When viewed as a percentage of our loan portfolio, our total expenses related to our allowances for loan losses decreased from 3.15% in 2009 to 3.04% in 2010.

Gross income from financial operations

Gross income from financial operations increased 13.05% to R$2,396 million for the year ended December 31, 2010 from R$2,120 million for the year ended December 31, 2009, as a result of the factors described above.

Other operating income (expenses)

Other operating income (expenses) decreased 1.42% to R$1,249 million for the year ended December 31, 2010 from R$1,266 million for the year ended December 31, 2009, as a result of the factors described below.

Income from services rendered and Bank fees income

Income from services rendered increased 9.98% to R$151 million for the year ended December 31, 2010 from R$137 million for the year ended December 31, 2009. Bank fees income increased 11.00% to R$490 million for the year ended December 31, 2010 from R$441 million for the year ended December 31, 2009. The increase in revenues from services rendered and bank fees income reflect the R$23 million increase in operating charges on checking accounts, especially for larger transactions in the corporate segment, and the R$17 million in fees generated by Banricompras as a result of an increase in the number of stores that use the Banricompras network. For further information on Banricompras see "Business—Our Activities—Credit and debit cards—Debit cards – Banricompras."

Personnel expenses

Personnel expenses increased 7.26% to R$966 million for the year ended December 31, 2010 from R$901 million for the year ended December 31, 2009, primarily due to (i) a 7.5% salary adjustment in 2010 according to the collective bargaining agreement and (ii) an increase in the number of employees.

Other administrative expenses

Other administrative expenses increased 9.48% to R$743 million for the year ended December 31, 2010 from R$679 million for the year ended December 31, 2009, due primarily to: (i) a R$16 million increase in outsourced services, (ii) a R$16 million increase in depreciation and amortization principally related to our R$9 million data processing investment and (iii) a R$14 million increase in data processing and telecommunications expenses.

Tax expenses

Tax expenses increased 12.10% to R$204 million for the year ended December 31, 2010 from R$182 million for the year ended December 31, 2009 due to (i) an increase in our tax base due to the growth of our business, (ii) the R$636 million increase in loan and lease revenue and (iii) the R$62 million increase in services rendered and bank fees income.

Other operating income

Other operating income increased 45.36% to R$209 million for the year ended December 31, 2010 from R$144 million for the year ended December 31, 2009, due primarily to (i) the reversal of certain provisions as a result of credit renegotiations of receivables without credit characteristics and (ii) adjustments of account balances related to changes to our provisions for administrative expenses.

Other operating expenses

Other operating expenses decreased 18.57% to R$185 million for the year ended December 31, 2010 from R$228 million for the year ended December 31, 2009, due primarily to: (i) a payment in 2009 of reserve requirements on savings deposits from previous years, which was not repeated in 2010; (ii) a reduction in the amount of foreign exchange equity adjustments for our foreign branches and (iii) an increase in expenses related to post-employment benefits.

Income from operations

Income from operations increased 34.52% to R$1,148 million for the year ended December 31, 2010 from R$853 million for the year ended December 31, 2009 as a result of the factors described above.

Income before income taxes and employee profit sharing

Income before income taxes and employee profit sharing increased 34.52% to R$1,148 million for the year ended December 31, 2010 from R$853 million for the year ended December 31, 2009 as a result of the factors described above.

Income tax and social contribution

Income tax and social contribution resulted in an expense of R$357 million for the year ended December 31, 2010 compared to an expense of R$268 million for the year ended December 31, 2009 due to an increase in our net income.

Employee profit sharing

Employee profit sharing increased 11.04% to R$49 million for the year ended December 31, 2010 from R$44 million for the year ended December 31, 2009 due to an increase in our net income.

Minority interest

Minority interest increased 29.82% in the year ended December 31, 2010 from the year ended December 31, 2009 due to the increase in net income from our subsidiaries, even though there was no any change in the shareholding of these subsidiaries during the period.

Net income

Net income increased 36.99% to R$741 million for the year ended December 31, 2010from R$541 million for the year ended December 31, 2009 as a result of the factors described above.

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

The following table sets forth certain components of our statement of income prepared in accordance with Brazilian GAAP for the years ended December 31, 2009 and 2008 based on financial information prepared on a consolidated basis:

Income Statement Data	**Year Ended December 31,**		
	2009	**2008**	**Variation (%)**
	(*in thousands of R$, except percentages*)		
Income from financial operations	**4,262,620**	**3,879,563**	**9.87%**
Loan operations	2,857,233	2,336,280	22.30%
Lease operations	19,651	16,192	21.36%
Securities	1,113,347	998,988	11.45%
Derivatives	24,018	–	N.A.
Foreign exchange	71,778	217,719	(67.03)%
Compulsory investments	176,593	310,384	(43.10)%
Expenses of financial operations	**(2,141,893)**	**(2,157,313)**	**(0.71)%**
Funding operations	(1,334,526)	(1,401,077)	(4.75)%
Borrowings, assignments and onlendings	(385,728)	(482,146)	(20.00)%
Derivatives	–	(17,548)	N.A.
Allowance for loan losses	(422,639)	(256,542)	64.74%
Gross income from financial operations	**2,119,727**	**1,722,250**	**23.11%**
Other operating income (expenses)	**(1,266,460)**	**(1,018,111)**	**24.39%**
Income from services rendered	137,463	135,319	1.58%
Bank fees income	441,878	403,372	9.55%
Equity in subsidiaries	–	–	-
Personnel expenses	(901,002)	(835,369)	7.86%
Other administrative expenses	(678,885)	(625,746)	8.49%
Tax expenses	(181,984)	(152,586)	19.27%
Other operating income	143,711	193,218	(25.62)%
Other operating expenses	(227,641)	(136,319)	66.99%
Income from operations	**853,267**	**704,139**	21.16%
Income before taxes on income and employee profit sharing	**853,267**	**704,239**	**21.16%**
Income tax and social contribution	(267,597)	(83,192)	221.66%
Employee profit sharing	(44,403)	(29,990)	48.06%
Minority interest	(171)	(184)	(7.07)%
Net income	**541,096**	**590,873**	**(8.42)%**

Income from Financial operations

Financial income increased 9.87% to R$4,263 million for the year ended December 31, 2009 from R$3,880 million for the year ended December 31, 2008 principally due to a 19.05%, or R$635 million, increase in revenues from loan and treasury operations.

Loans and lease operations

Loans increased 22.30% to R$2,857 million for the year ended December 31, 2009 from R$2,336 million for the year ended December 31, 2008. Lease operations increased 21.36% to R$19 million for the year ended December 31, 2009 from R$16 million for the year ended December 31, 2008. The increase in revenues from loans and lease operations is due to a 17.11%, or R$1,960 million, increase in the balance of these operations, as average rates for the year ended December 31, 2009 decreased in the following product lines: payroll–deducted loans in the individuals segment and working capital loans in the corporate segment.

Securities

Securities increased 11.45% to R$1,113 million for the year ended December 31, 2009 from R$999 million for the year ended December 31, 2008, as a result of a 20.94%, or R$1,256 million, increase in the balance of our securities, which was partially offset by the decrease in the SELIC rate from 12.48% in 2008 to 9.92% in 2009.

Derivatives

Derivatives were R$24 million for the year ended December 31, 2009. We did not record derivatives for the comparable period in 2008 because our derivatives presented a net negative result in 2008.

Foreign exchange

Foreign exchange income decreased 67.03% to R$72 million for the year ended December 31, 2009 from R$218 million for the year ended December 31, 2008, primarily due to the appreciation of the *real* against the U.S. dollar, which decreased the value of our dollar-denominated export financing portfolio.

Compulsory investments

Compulsory investments decreased 43.10% to R$177 million for the year ended December 31, 2009 from R$310 million for the year ended December 31, 2008, due primarily to a reduction in compulsory assets as a result of changes in our monetary policy due to new CMN resolutions, which reduced the liabilities of our compulsory investments.

Expenses of financial operations

Expenses of financial operations decreased 0.71% to R$2,142 million for the year ended December 31, 2009 from R$2,157 million for the year ended December 31, 2008 primarily due to (i) a R$96 million decrease in onlending obligations as a result of the U.S.$/*real* exchange rate variation during the period and (ii) a R$66 million decrease in funding expenses as a result of the decrease in the SELIC rate; both of which were partially offset by a R$166 million increase in allowances for loan losses.

Funding operations

Funding operations decreased 4.75% to R$1,334 million for the year ended December 31, 2009 from R$1,401 million for the year ended December 31, 2008 primarily due to a decrease in (i) the basic interest rate, which is the index for the remuneration paid on term deposits, (ii) deposit structure (fixed and floating rates) and (ii) a R$228 million decrease in market funding.

Borrowings, assignments and onlendings

Borrowings, assignments and onlendings decreased 20.00% to R$386 million for the year ended December 31, 2009 from R$482 million for the year ended December 31, 2008 due to exchange rate variations during the period.

Derivatives

Derivatives expenses were R$18 million for the year ended December 31, 2008. We did not record derivatives for the comparable period in 2008 because our derivatives presented a net positive result in 2009.

Allowance for loan losses

Allowance for loan losses increased 64.74% to R$422 million for the year ended December 31, 2009 from R$257 million for the year ended December 31, 2008 primarily due to the 21.1%, or R$79 million, increase in defaults of more than 60 days as a result of the decrease in economic activity in the initial months of 2009.

Gross income from financial operations

Gross income from financial operations increased 23.11% to R$2,120 million for the year ended December 31, 2009 from R$1,722 million for the year ended December 31, 2008, as a result of the factors described above.

Other operating income (expenses)

Other operating income (expenses) increased 24.39% to R$1,266 million for the year ended December 31, 2009 from R$1,018 million for the year ended December 31, 2008, as a result of the factors described below.

Income from services rendered and Bank fees income

Income from services rendered increased 1.58% to R$137 million for the year ended December 31, 2009 from R$135 million for the year ended December 31, 2008. Bank fees income increased 9.55% to R$441 million for the year ended December 31, 2009 from R$403 million for the year ended December 31, 2008. The twelve-month increase in revenues from bank fees income was due to the introduction of an automated tariff collection system and the improved collection of Banricompras tariffs. The increase in revenues from services was due to the R$26 million increase in operating charges on checking accounts and the R$14 million increase in fees generated by Banricompras due to an increase in the number of Banricompras affiliated stores.

Personnel expenses

Personnel expenses increased 7.86% to R$901 million for the year ended December 31, 2009 from R$835 million for the year ended December 31, 2008, due primarily to a 6.00% salary adjustment in 2009 and an increase in employees (627 were hired and 424 retired or were let go).

Other administrative expenses

Other administrative expenses increased 8.49% to R$679 million for the year ended December 31, 2009 from R$626 million for the year ended December 31, 2008 due primarily to an increase of (i) R$8 million in rental and condominium charges, (ii) R$8 million in surveillance, security and transportation of valuables charges, and (iii) R$8 million in advertising, promotions and marketing charges.

Tax expenses

Tax expenses increased 19.27% to R$182 million for the year ended December 31, 2009 from R$152 million for the year ended December 31, 2008, due primarily to the increase in PIS and COFINS costs, which was directly related to the increase in gross income from financial operations.

Other operating income

Other operating income decreased 25.62% to R$144 million for the year ended December 31, 2009 from R$193 million for the year ended December 31, 2008, particularly due to foreign exchange variations at our foreign branches, the reversal of provisions for securities risks related to a change in our provision policies for other administrative expenses.

The effects of the exchange rate variations on foreign branch transactions are accounted for in a number of line items in our income statement, including investments in foreign branches. In 2009, the exchange rate appreciated 25.50%, while in 2008 the exchange rate depreciated 31.54%. As a result of this variation, we had R$38 million in costs related to the exchange rate adjustments in 2009, and we had R$35 million in revenue related to the exchange rate adjustments in 2008.

Other operating expenses

Other operating expenses increased 66.99% to R$228 million for the year ended December 31, 2009 from R$136 million for the year ended December 31, 2008 due primarily to (i) the increase in labor provisions as a result of agreements and new lawsuits related to retirement benefits by employees leaving the Bank, (ii) exchange variation at foreign branches, and (iii) R$39 million in expenses related to compliance with reserve requirements for savings deposits.

Income from operations

Income from operations increased 21.16% to R$853 million for the year ended December 31, 2009 from R$704 million for the year ended December 31, 2008, as a result of the factors described above.

Income before income taxes and employee profit sharing

Income before income taxes and employee profit sharing increased 21.2% to R$853 million for the year ended December 31, 2009 from R$704 million for the year ended December 31, 2008, as a result of the factors described above.

Income tax and social contribution

Income tax and social contribution resulted in an expense of R$268 million for the year ended December 31, 2009 compared to an expense of R$83 million for the year ended December 31, 2008 due to R$86 million in revenue related to deferred income taxes and social contributions as a result of changes to the social contribution rate in April 2008 from 9% to 15% and an increase in our net income.

Employee profit sharing

Employee profit sharing increased 48.06% to R$44 million for the year ended December 31, 2009 from R$30 million for the year ended December 31, 2008 due to the increase in the amounts given to employees under the collective bargaining agreement and the increase in profit. Banrisul has a policy of distributing profits and profit sharing (PLR), which, according to the collective bargaining agreement, are tied to our net income. PLR totaled R$44 million in 2009, which represented a R$14 million increase from 2008.

Minority interest

Minority interest decreased 7.07% in for the year ended December 31, 2009 from the year ended December 31, 2008, due to a 20.3% decrease in the net income of our subsidiaries during the period.

Net income

Net income decreased 8.42% to R$541 million for the year ended December 31, 2009 from R$591 million for the year ended December 31, 2008, as a result of the factors described above.

Liquidity and Capital Resources

Overview

Our asset and liability management policy, established by our funding and allocation of proceeds committee, seeks to align our capital position with our risk profile. Specifically, our policy is designed to moderate our risk exposure and market volatility.

We maintain an operating reserve of highly liquid securities, to which we allocate cash not used in lending transactions. Our treasury department is responsible for managing our liquidity and funding sources and our funding and allocation of proceeds committee establishes the policies and limits, taking into consideration projections for our assets and liabilities, market conditions and the liquidity profile of counterparties.

Minimum short-term liquidity limits, intended to ensure sufficient liquidity and resources required for our operations, are defined and periodically adjusted by our management.

We require liquidity to meet our operating needs, ensure capital adequacy and explore market opportunities. Our strategy is to maintain sufficient liquidity levels to match current and future financial liabilities, including potential market liquidity crises, and to take advantage of potential business opportunities.

The table below sets forth our total loan portfolio as a percentage of our funding and our total deposits as a percentage of our funding, as of December 31, 2010, 2009 and 2008, and as of September 30, 2011:

	As of September 30, (Unaudited)	As of December 31,		
	2011	2010	2009	2008
Loan portfolio as a percentage of our funding	65.28%	64.01%	55.42%	55.35%
Deposits as a percentage of our funding	69.45%	71.60%	67.63%	68.89%

Sources and Uses of Funds

Sources of funding

Our principal sources of funding for our lending operations are savings deposits and time deposits, which we issue primarily to small- and medium-sized investors, which provide lower funding costs and more diversified funding sources than institutional investors, such as pension and investment funds. We believe this funding policy aligns well with our lending requirements considering the markets in which we operate. As of September 30, 2011, savings deposits and time deposits accounted for 61% of our total funding. Other sources of funding include demand deposits, money market funding, borrowings and onlendings.

As of December 31, 2010, our total deposits were R$19,053 million, representing a 16.4% increase compared to our total deposits as of December 31, 2009. The table below sets forth our funding sources and the corresponding percentage of our total funding as of December 31, 2010, 2009 and 2008, and as of September 30, 2011:

	As of September 30, (Unaudited)		**As of December 31,**					
	2011		**2010**		**2009**		**2008**	
	Balance	**Total %**	**Balance**	**Total %**	**Balance**	**Total %**	**Balance**	**Total %**
			(in R$ million except percentages)					
Demand deposits	2,556	8.49%	3,780	14.20%	2,101	8.68%	1,864	9.01%
Savings deposits	5,072	16.85%	5,580	20.97%	5,637	23.29%	4,806	23.22%
Interbank accounts	12	0.04%	12	0.05%	90	0.37%	12	0.06%
Time deposits (fixed interest rates)	1,858	6.17%	2,323	8.73%	2,900	11.98%	2,192	10.59%
Time deposits (variable interest rates)	11,412	37.90%	7,357	27.65%	5,630	23.26%	5,366	25.93%
Other deposits	1	0.00%	0	0.00%	12	0.05%	16	0.08%
Total deposits	**20,910**	**69.45%**	**19,053**	**71.60%**	**16,370**	**67.63%**	**14,256**	**68.89%**
Interbank accounts	307	1.02%	10	0.04%	11	0.04%	12	0.06%
Derivatives	-	0.00%	-	0.00%	47	0.19%	36	0.17%
Interbranch accounts	243	0.81%	170	0.64%	150	0.62%	113	0.55%
Money market funding	1,634	5.43%	1,311	4.93%	2,006	8.29%	2,234	10.80%
Borrowings[1]	834	2.77%	540	2.03%	503	2.08%	622	3.01%
Reserve Fund for Judicial Deposits	5,012	16.65%	4,445	16.70%	4,140	17.10%	2,672	12.91%
Onlendings[1]	1,169	3.88%	1,083	4.07%	979	4.04%	748	3.61%
Total other funding	**9,198**	**30.55%**	**7,558**	**28.40%**	**7,836**	**32.37%**	**6,437**	**31.11%**
Total funding	**30,109**	**100.00%**	**26,611**	**100.00%**	**24,206**	**100.00%**	**20,693**	**100.00%**

(1) Includes borrowings and lendings in Brazil and abroad.

Our cost of funding related to savings deposits, time deposits, other deposits and money market funding compared to the SELIC rate, which was 62.21%, 86.53%, 113.68% and 101.25%, respectively, for the nine-month period ended September 30, 2011. We do not incur costs for our demand deposits.

We believe our current sources of funding (described below) allow us to extend loans without compromising our liquidity levels. The balance between our levels of funding and lending operations can be observed by comparing the chart above (which shows the balances of our deposits as of December 31, 2010, 2009 and 2008 and as of September 30, 2011) and the chart under "Other financial information – Lending operations."

Time deposits

Time deposits are our principal source of funds, accounting for more than 40% of our total funding. These funds are remunerated at fixed or floating rates, usually linked to the money market deposit rate. The proportion of deposits taken at fixed and floating rates varies depending on market expectations concerning the behavior of interest rates.

The Central Bank requires Brazilian banks to make a mandatory deposit in an amount equal to 20% of the weekly balance (from Monday to Friday each week) of time deposits, net of R$30.0 million, to be made in

an account at the Central Bank which bears interest at the daily average rate offered by SELIC-indexed bonds issued by the Brazilian Government or the Central Bank.

As of September 30, 2011, 86% of our time deposits were linked to floating interest rates, the average of which was 84.6% of the depositos interfinanceiros (money market deposit), and 14% were limited to fixed interest rates, the average of which was 9.33% per annum. Time deposit balances represented 30.13%, 29.33%, 29.98% and 36.30% of our total liabilities and shareholders' equity as of December 31, 2010, 2009, 2008 and September 30, 2011, respectively.

Time deposits have gradually increased since 2008, principally as a result of increases in interest rates, which have caused corresponding increases in yields on time deposits. In addition we have undertaken efforts such as the creation of new types of time deposits, "CDB Automático" and "CDB Ganhe Mais," to increase time deposits throughout our customer base, leading to an approximately R$500.0 million increase in time deposits.

Demand deposits

Demand deposits (checking accounts) are sources of funds that pay no interest. Demand deposit balances represented 11.77%, 7.22%, 7.31% and 6.99% of our total liabilities and shareholders' equity as of December 31, 2010, 2009, 2008 and as of September 30, 2011. As of the date of the listing particulars, the Central Bank requires a mandatory deposit by Brazilian banks in an amount equal to 43% of the daily average balance of demand deposits to be made in a non-interest bearing account at the Central Bank. See "Regulation of the Brazilian Banking Industry—Compulsory Deposits and Other Requirements—Demand Deposits" and "Business—Our Activities—Agricultural loans."

Savings deposits

Under Brazilian law, savings deposits pay interest one month after the funds are first deposited, in the case of individual savers and not-for-profit companies, and 90 days after the funds are first deposited in the case of for-profit companies. Interest credited to individuals in all savings accounts is exempt from income tax. Currently, the rate applicable to all savings accounts in Brazil is 0.50% per month plus the TR.

Savings deposits are a major source of funding, because they allow us to increase our lending, including our real estate loan portfolio without significant funding procurement efforts. As of December 31, 2010, according to Central Bank data, we had the 8th largest total savings deposits in the national financial system, with a 1.24% market share.

Our savings accounts balances increased at an average annual rate of 16.28% from 2010 through 2008. Savings deposits were R$5,580 million as of December 31, 2010. Savings deposit balances represented 17.37%, 19.38%, 19.07% and 13.88% of our total liabilities and shareholders' equity balance as of December 31, 2010, 2009, 2008 and September 30, 2011, respectively.

Savings deposits represent our principal financing source for real estate lending because we are legally required to direct 65% of savings proceeds into real estate financing. See "Regulation of the Brazilian Banking Industry—Regulations Affecting Financial Market Liquidity—Savings Accounts" and "Business—Our Activities—Real estate financing."

Money market funding

We enter into transactions with other financial institutions that usually last one business day to buy and sell Brazilian federal bonds with repurchase or resale commitments. Although the spreads for such transactions are generally small, these instruments are highly liquid and maximize cash management. These transactions represented 4.08%, 6.90%, 8.86% and 4.47% of our total liabilities and shareholders' equity as of December 31, 2010, 2009, 2008 and as of September 30, 2011.

Foreign onlendings

We raise funds in Euros and U.S. Dollars to carry out commercial exchange transactions. In these operations, we incur an exchange variation and pay interest at rates lower than those available in the domestic market. We only raise funds in the foreign market when there is already a borrower identified in Brazil, without arbitrage of exchange rates risks.

The average annual interest rates we paid in 2008, 2009 and 2010, and in the third quarter of 2011, were, respectively, 4.64%, 3.48%, 2.98% and 3.17%. For these periods, average transaction terms were 267 days, 268 days, 277 days and 293 days, respectively. As of the end of each of these years, and at the end of the third quarter of 2011, foreign loan balances represented, respectively, 0.13%, 0.12%, 0.09% and 0.09% of our total liabilities and of shareholders' equity.

Onlendings

We are authorized to onlend funds raised from BNDES and FINAME, according to the regulations established by these institutions. We onlend funds to our clients on the same terms and interest rates charged by these institutions, and receive a finder's fee. Onlending balances represented 3.37%, 3.36%, 2.97% and 3.20% of our total liabilities and shareholders' equity as of December 31, 2010, 2009, 2008 and September 30, 2011, respectively.

Use of Funds

The following table sets forth the average balance of the investments and securities for 2010, 2009 and 2008, and the nine-month period ended on September 30, 2011:

	Nine-month period ended September 30,		**Year ended December 31,**					
	2011		**2010**		**2009**		**2008**	
	Average Balance[1]	**% of Total**	**Average Balance**[2]	**% of Total**	**Average Balance**[2]	**% of Total**	**Average Balance**[2]	**% of Total**
	(in R$ million, except percentages)							
Interbank investments	2,596	7.53%	3,772	12.07%	5,426	19.57%	4,331	18.52%
Securities and derivatives	8,221	23.84%	7,562	24.21%	6,384	23.03%	4,133	17.68%
Lending, lease and other lending operations	18,542	53.78%	15,548	49.77%	12,263	44.23%	10,025	42.88%
Interbank accounts	231	0.67%	126	0.40%	155	0.56%	229	0.98%
Interbranch accounts	58	0.17%	58	0.19%	51	0.18%	59	0.25%
Cash	422	1.22%	369	1.18%	351	1.27%	300	1.28%
Other								
Other assets	4,409	12.79%	3,807	12.19%	3,093	11.16%	4,304	18.41%
Total	**34,479**	**100.00%**	**31,242**	**100.00%**	**27,723**	**100.00%**	**23,381**	**100.00%**

(1) Equivalent to the position at the end of each month comprising the period divided by the number of months in the period.
(2) Equivalent to the position at the end of each quarter comprising the period divided by the number of months in the period.

In accordance with our asset, liability and liquidity management policies, most of our investments are in loan and securities portfolios as well as in short-term money market investments.

Securities and derivatives

We have gradually been reducing our investments in securities and derivatives as a percentage of total assets in favor of loan portfolios, which are generally more profitable. We maintain securities holdings in compliance with compulsory requirements. Since December 2010, we have not had any derivatives on our balance sheet.

The table below shows the balances of securities for the periods indicated:

	Nine-month period ended September 30, (Unaudited)		**Year ended December 31,**					
	2011		**2010**		**2009**		**2008**	
	Balance[1]	**Total %**	**Balance**[1]	**Total %**	**Balance**[1]	**Total %**	**Balance**[1]	**Total %**
	(in R$ million, except percentages)							
Trading securities	**2,254**	**100.00%**	**2,072**	**100.00%**	**1,886**	**100.00%**	**959**	**100.00%**
Treasury bills – LFT	2,252	99.91%	2,072	100.00%	1,886	100.00%	959	100.00%
Shares of publicly held companies	2	0.09%		0.00%	-	0.00%	-	0.00%
Available-for-sale securities	**1,773**	**100.00%**	**1,713**	**100.00%**	**1,070**	**100.00%**	**621**	**100.00%**
Treasury bills – LFT	1,243	70.10%	1,154	67.39%	1,049	98.06%	609	98.02%

	Nine-month period ended September 30, (Unaudited)		Year ended December 31,					
	2011		2010		2009		2008	
	Balance[1]	Total %	Balance[1]	Total %	Balance[1]	Total %	Balance[1]	Total %
	(in R$ million, except percentages)							
Shares of publicly held companies	9	0.52%	14	0.80%	13	1.22%	6	0.98%
Privatization certificates	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Fixed income fund shares	19	1.05%	9	0.50%	8	0.75%	6	1.00%
Receivable investment fund shares	502	28.33%	536	31.31%	-	0.00%	-	0.00%
Held-to-maturity securities	**5,122**	**100.00%**	**4,740**	**100.00%**	**4,301**	**100.00%**	**4,421**	**100.00%**
Treasury bills – LFT	4,946	96.58%	4,548	95.94%	4,046	94.07%	4,138	93.61%
Salary variation compensation note – CVS	148	2.90%	153	3.24%	202	4.70%	190	4.30%
National treasury notes – NTN	0	0.00%	8	0.16%	7	0.17%	30	0.67%
Mortgage-backed securities – LH	24	0.47%	29	0.61%	34	0.80%	40	0.90%
Certificates of real estate receivables – CRI	3	0.05%	3	0.06%	3	0.06%	3	0.07%
Brazilian foreign debt securities	-	0.00%	-	0.00%	9	0.20%	10	0.22%
Fixed income securities - other	-	0.00%	-	0.00%	-	0.00%	10	0.24%
Other	-	0.00%	-	0.00%	-	0.00%	0	0.00%
Derivatives	**-**	0.00%	**-**	0.00%	**151**	**100.0%**	**110**	**100.0%**

(1) Equivalent to the position at the end of each year for 2010, 2009 and 2009. For 2011, it is the position at the ended of the nine-month period ended September 30, 2011. See note 5 to our financial statements for the nine-months period ended September 30, 2011.

Lending operations

Lending operations are our core business. Over the past few years, we have made an effort to expand our loan portfolio, especially in the areas of personal credit, payroll-deduction loans, agribusiness loans, real estate loans and corporate loans, with special emphasis on small- and medium-sized firms. As Brazil's interest rates continue to decrease, our strategy increasingly involves dedicating our assets to our lending activities.

The following tables set forth more detailed information about our loan portfolio:

	September 30, 2011 (Unaudited)		December 31, 2010		September 30, 2010 (Unaudited)		Variation September 30, 2011 - December 31, 2010		Variation September 30, 2011 - September 30, 2010	
	Balance	% Total	Balance	% Total	Balance	% Total	Balance	%	Balance	%
	(in R$ million, except percentages)									
Private sector financing	**19,533**	**99.38%**	**16,907**	**99.26%**	**16,107**	**99.20%**	**2,625**	**15.53%**	**3,425**	**21.27%**
Commercial credit	**14,907**	**75.84%**	**13,131**	**77.09%**	**12,515**	**77.07%**	**1.776**	**13.53%**	**2,392**	**19.12%**
Individual lending	**8,327**	**42.37%**	**7,399**	**43.44%**	**7,218**	**44.45%**	**928**	**12.55%**	**1,109**	**15.36%**
Credit card	55	0.28%	52	0.30%	75	0.46%	3	5.42%	(21)	(27.43%)
Loan and discounted receivables - individuals	8,026	40.83%	7.099	41.68%	6,913	42.57%	927	13.06%	1,113	16.10%
Customer financing - individuals	246	1.25%	248	1.45%	230	1.42%	(1)	(0.56%)	16	6.94%
Corporate lending	**6,580**	**33.48%**	**5,732**	**33.65%**	**5,296**	**32.62%**	**848**	**14.79%**	**1,284**	**24.24%**
Foreign credit	67	0.34%	62	0.36%	63	0.39%	5	8.24%	4	6.69%
Loans and discounted receivables	6,317	32.14%	5,484	32.20%	5.053	31.12%	833	15.19%	1,264	25.02%
Customer financing - companies	196	1.00%	186	1.09%	180	1.11%	10	5.16%	15	8.48%
Public sector financing	**122**	**0.62%**	**126**	**0.74%**	**130**	**0.80%**	**(4)**	**(3.25%)**	**(8)**	**(6.01%)**

	September 30, 2011 (Unaudited)		December 31, 2010		September 30, 2010 (Unaudited)		Variation September 30, 2011 - December 31, 2010		Variation September 30, 2011 - September 30, 2010	
	Balance	% Total	Balance	% Total	Balance	% Total	Balance	%	Balance	%
	(in R$ million, except percentages)									
Long-term financing	**838**	**4.26%**	**714**	**4.19%**	**644**	**3.97%**	**123**	**17.28%**	**193**	**30.02%**
Agricultural financing	**1,584**	**8.06%**	**1,284**	**7.54%**	**1,181**	**7.27%**	**300**	**23.34%**	**403**	**34.17%**
Real estate financing	**1.611**	**8.20%**	**1,285**	**7.55%**	**1,218**	**7.50%**	**326**	**25.34%**	**393**	**32.31%**
Lease	**80**	**0.41%**	**81**	**0.47%**	**80**	**0.49%**	**(0)**	**(0.50%)**	**0**	**0.25%**
Foreign exchange	**513**	**2.61%**	**412**	**2.42%**	**470**	**2.89%**	**101**	**24.53%**	**43**	**9.09%**
Total	**19,655**	**100.00%**	**17.033**	**100.00%**	**16,237**	**100.00%**	**2,621**	**15.39%**	**3,418**	**21.05%**

	December 31,									
	2010		2009		2008		Variation 2010 – 2009		Variation 2009 - 2008	
	Balance	% Total	Balance	% Total	Balance	% Total	Balance	%	Balance	%
	(in R$ million, except percentages)									
Private sector financing	**16,907**	**99.26%**	**13,293**	**99.10%**	**11,263**	**98.33%**	**3,614**	**27.19%**	**2,030**	**18.02%**
Commercial credit	**13,131**	**77.09%**	**10,109**	**75.36%**	**8,449**	**73.76%**	**3,022**	**29.89%**	**1,660**	**19.65%**
Individual lending	**7,399**	**43.44%**	**5,422**	**40.42%**	**3.927**	**34.28%**	**1,977**	**36.46%**	**1,495**	**38.07%**
Credit card	52	0.31%	74	0.55%	78	0.68%	(22)	(29.73%)	(4)	(5.13%)
Loan and discounted receivables	7,099	41.68%	5,205	38.80%	3,707	32.36%	1,894	36.39%	1,498	40.41%
Customer financing	248	1.46%	143	1.07%	142	1.24%	105	73.43%	1	0.70%
Corporate lending	**5,732**	**33.65%**	**4,687**	**34.94%**	**4,522**	**39.48%**	**1,045**	**22.30%**	**165**	**3.65%**
Foreign credit	62	0.36%	62	0.46%	97	0.85%	-	0.00%	(35)	(36.08%)
Loans and discounted receivables	5,484	32.20%	4,543	33.87%	4,308	37.61%	941	20.71%	235	5.45%
Customer financing	186	1.09%	82	0.61%	117	1.02%	104	126.83%	(35)	(29.91%)
Public sector financing	**126**	**0.74%**	**121**	**0.90%**	**191**	**1.67%**	**5**	**4.13%**	**(70)**	**(36.65)%**
Agricultural financing	**1,284**	**7.54%**	**1,020**	**7.60%**	**851**	**7.43%**	**264**	**25.88%**	**169**	**19.86%**
Long-term financing	**714**	**4.19%**	**501**	**3.73%**	**448**	**3.91%**	**213**	**42.51%**	**53**	**11.83%**
Real estate financing	**1,285**	**7.54%**	**1.085**	**8.09%**	**961**	**8.39%**	**200**	**18.43%**	**124**	**12.90%**
Lease	**81**	**0.48%**	**95**	**0.71%**	**107**	**0.93%**	**(14)**	**(14.74%)**	**(12)**	**(11.21)%**
Foreign exchange	**412**	**2.42%**	**483**	**3.60%**	**447**	**3.90%**	**(71)**	**(14.70%)**	**36**	**8.05%**
Total loan portfolio	**17,033**	**100.00%**	**13,414**	**100.00%**	**11,454**	**100.00%**	**3,619**	**26.98%**	**1,960**	**17.11%**

Interbank investments

We use available funds for short-term investment. However, we have established strict criteria for the transactions where we purchase securities under resale agreements, accepting only securities issued by the Brazilian Treasury or the Central Bank as collateral in those secured transactions.

We limit the amount of secured purchase-and-sale agreements entered into with financial institutions to 1.5 times the shareholders' equity of each institution, subject to an individual limit of 1.5 times our benchmark equity, as established by Central Bank regulation. After calculating these limits, another limit is taken into account based on the term resulting from the securities received as a guarantee.

Capital Expenditures

In the past three years, we made capital expenditures related mainly to: (i) technology expansion and modernization, (ii) service network renovation and expansion and (iii) the expansion of our distribution network. Our capital investments totaled R$191 million, R$227 million and R$152 million in 2010, 2009 and 2008, respectively.

In 2010, our capital expenditures were mainly related to: (i) technology expansion and modernization, (ii) service network renovation and expansion and (iii) the expansion of our distribution network. From January to December 2010, hardware investments, software and maintenance of goods totaled R$190.9 million.

We expect that our capital expenditures in 2011 will not be substantially greater than our historical expenditure levels in 2009 and will consist mainly of the improvement and expansion of our technology, the renovation of our service network and the expansion of our distribution network.

By investing in technology we intend to (i) monitor our performance and transactions online, (ii) increase our data processing capacity, our transaction portfolio and the number of products we offer, and (iii) streamline our back office staff and reduce related costs. We estimate our investments in technology during the three years will total approximately R$463 million.

Term of the investment	Percent total technology investments
Up to 2 years	31.95%
From 2 to 4 years	45.30%
From 4 to 8 years	22.75%
More than 8 years	0.00%

Capital Adequacy

CMN Resolution No. 2,099 created a capital measurement for Brazilian financial institutions based on a risk-weighted asset ratio. The framework of this methodology is similar to the Basel II Accord. Under this regulation, as a general rule, Brazilian financial institutions are required to maintain minimum regulatory capital of at least 11.0% of their total risk-weighted assets, valued in accordance with the risk weighting criteria set out in Annex IV to the Resolution.

As part of the process of implementation of the Basel II Accord, the CMN, pursuant to Resolution No. 3,490, set forth the required referential equity amount (PRE) to substitute the required shareholders' equity (PEE) (revoking Annex IV to Resolution No. 2,099), among other new requirements. Regulatory Capital Value is comprised mainly of Tier 1 Capital and Tier 2 Capital. See "Regulation of the Brazilian Banking Industry—Regulatory Capital and Shareholders' Equity Standards" for more information.

The table below sets forth our average net equity and Basel Index as of December 31, 2010, 2009 and 2008, and on September 30, 2011 and 2010:

	As of September 30, (Unaudited)	As of December 31,		
	2011	2010	2009	2008
Average shareholders' equity as a percentage of total average assets	11.96%	11.71%	11.73%	12.60%
Basel II Index[1]	15.91%	16.07%	18.08%	20.70%

(1) Capital, adjusted according to the criteria established by the Central Bank, divided by total risk-weighted assets computed in accordance with Central Bank regulations. The criteria for calculation of adjusted shareholders' equity and assets weighted by risk are established by the Central Bank. See "Regulation of the Brazilian Banking Industry—Regulatory Capital and Shareholders' Equity Standards."

The following table sets forth capital positions in relation to risk-weighted total assets, as well as minimum capital requirements according to Central Bank rules, in each case as of December 31, 2010, 2009 and 2008 and as of September 30, 2011:

	As of September 30, 2011	As of December 31, 2010	2009	2008
		(in R$ million)		
Reference Shareholders' Tier I	4,297.66	3,878.49	3,503.95	3,151.03
Reference Shareholders' Tier II	(8.06)	(5.45)	(5.89)	(9.51)
Reference Equity	4,289.60	3,873.04	3,498.07	3,141.51
Required Shareholders' Equity (1)	2,965.83	2,650.46	2,127.99	1,669.67
Surplus capital	1,323.77	1,222.58	1,370.08	1,471.84
Basel II Index	15.91%	16.07%	18.08%	20.70%

(1) Minimum required capital

The following table sets forth our classification within the required operating limits and the position on the specific dates:

	As of September 30, 2011			As of December 31, 2010		
	Minimum Requirement	Actual Balance	Margin	Minimum Requirement	Actual Balance	Margin
			(in R$ million)			
Required shareholders' equity	2,965.83	4,289.60	1,323.77	2,650.46	3,873.04	1,222.58
Fixed asset limit	2,144.49	183.11	1,961.38	1,936.20	191.73	1,744.48
Minimum shareholders' equity	269.18	4,289.60	4,020.43	267.84	3,873.04	3,605.19
Minimum paid-in capital	269.18	3,205.65	2,936.65	267.84	2,909.20	2,641.36

	As of December 31, 2009			As of December 31, 2008		
	Minimum Requirement	Actual Balance	Margin	Minimum Requirement	Actual Balance	Margin
			(in R$ million)			
Required shareholders' equity	2,127.99	3,498.07	1,370.08	1,669.67	3,141.51	1,471.84
Fixed asset limit	1,748.72	189.76	1,558.96	1,570.44	154.91	1,415.53
Minimum shareholders' equity	266.95	3,498.07	3,231.11	263.84	3,141.51	2,877.67
Minimum paid-in capital	266.95	2,607.70	2,340.75	263.84	2,308.30	2,044.46

Contractual Obligations

The following table sets forth the maturity profile of our main contractual obligations as of September 30, 2011:

	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
			(in R$ million, except indices)		
Onlendings					
STN	17.6	29.0	17.8	22.7	87.1
BNDES	108.0	205.2	147.8	160.9	621.9
FINAME	101.4	138.1	61.2	72.7	373.4
CEF	2.7	5.5	5.4	39.3	53.0
Total	**229.9**	**377.9**	**232.2**	**295.6**	**1,135.5**
Other obligations					
Banrisul Foundation	6.0	11.9	11.9	34.2	64.0
Services					
Communication	14.4	28.9	28.9	-	72.2
Commercial rentals	43.2	86.5	86.5	216.4	432.6
Security	10.2	20.5	20.5	-	51.2
Accounting services	6.0	12.1	12.1	-	30.2
Technology services	98.1	196.3	196.3	-	490.7
Cleaning Services.	14.7	29.4	29.4	-	73.5
Armored transportation	34.1	68.2	68.2	-	170.5
Monitoring and internal security	51.7	103.4	103.4	-	258.5
Mail	15.3	30.7	30.7	-	76.7
Special technical services	48.3	96.6	96.6	-	241.5
Total.	**342.0**	**684.5**	**684.5**	**250.6**	**1,961.6**

Our sources of funding are highly diversified. We raise most of our funds directly from our network of branches, with a smaller portion coming from institutional investors. This diversity makes our funding portfolio stable, especially since we rely mainly on time deposits and savings deposits.

Funds raised that mature within less than 90 days are either recorded as savings deposits or portions of time deposits. Though funds raised through these types of deposits have high levels of liquidity, historically their stability has been sustained, not causing an effective disbursement due to their low level of concentration and their small portion our funding that they represent.

Interest Rate Risk and Sensitivity

Interest rate risk arises as a result of pricing assets and liabilities at different times, unexpected changes in the slope and shape of yield curves, and changes in the correlation of interest rates among differing financial instruments. Exposure to interest rate variation risks occurs whenever there is a difference between our revenue from our interest-earning assets and the expenses related to our interest-bearing liabilities.

Management of interest rate sensitivity is a fundamental component of our asset and liability policy. Interest rate sensitivity results from exposure to the risk of moving rates that we charge on our liability transactions in relation to interest rates charged by the market, which remunerate our asset transactions. This pricing structure is balanced when the same volume of assets and liabilities matures or is simultaneously renewed. Any difference between asset revenue and liability cost is known as a position gap. Sensitivity to interest rate exposure results from the portfolio's structure and the risk factors associated with the portfolio. Significant variations can occur at any time as a result of market forces.

Our interest rate sensitivity strategy takes into account (i) rates of return, (ii) liquidity requirements, including minimum regulatory reserve requirements and compulsory lending and cash-deposit rules, (iii) withdrawals and deposit maturities, (iv) capital costs and (v) additional demands for funds. For further information on our interest rate risk policy see note 24 of our financial statements for the nine-month period ended September 30, 2011.

Exchange Rate Risk and Sensitivity

Exchange rate risk results from assets, liabilities and items not entered into the balance sheet that are denominated or indexed in foreign currency during the ordinary course of banking activities. Although most of our transactions are domestic market transactions and we do not have much exposure to exchange rate variations in comparison to most Brazilian banks, we do control exposure to exchange rate fluctuations in order to ensure that any mismatches are managed and monitored. Our policy is to avoid major exchange rate mismatches.

As of September 30, 2011, almost 97% of our assets were in *reais*. However, we do hold some assets and liabilities denominated in foreign currencies, mainly in U.S. dollars, and assets and liabilities that, though denominated in *reais*, are indexed to the U.S. dollar. As such, our exposure to exchange rate risk is minimal.

As of September 30, 2011, our consolidated exchange rate risk totaled R$143.98 million for reference equity of R$4.29 billion, representing a total exchange rate risk exposure of 3.4%. The maximum amount of foreign currency exposure allowed by the guidelines set by the Central Bank is 30.0%. As such, our risk exposure amounts to 5.0% of the maximum amount allowed, equal to R$214.5 million.

Credit Risk

We use different processes to evaluate individual and corporate transactions and risks, which have been established based on internal regulatory instructions or decisions made by our committees, and we believe that we have very conservative policies. For individual transactions, the credit limits are set based on customer risk (using a statistical model – credit scoring and behavior scoring), in light of varying customer profiles and classification of income. For corporate transactions, the basis for our credit policy is the definition of a risk limit per client. Depending on the information available on the client and/or the sector in which it operates, employees from our risk unit make on-site visits to the client.

Branch credit committees are able to define transactions and risk limits for corporate clients up to the limit of their respective authorities. Our board's credit and risk committees define transactions and risk limits for clients with limits in excess of the authority of the branches' credit committees, up to the limit of their

authority, which is R$2.0 million for committee I and R$1.0 million for committee II. The composition of committees I and II is discussed below. Our executive board can approve specific transactions and risk limits of up to 3% of our shareholders' equity, as set out in our Articles of Incorporation. Transactions beyond this limit must be submitted for analysis by our board of directors.

Our branches' credit committees can authorize risk limits and credit transactions up to the branches' authority limits (given each branch's category), which vary from R$45,000 to R$150,000.

For the risk limits granted within the authority of the branch credit committees, the maximum validity of such guarantee is 180 days, at which time they must be renewed. The maximum personal guarantee percentage allowed in the sum of credit transactions is 20% of the amount of the transaction.

Our executive board and risk committees I and II can grant risk limits with validity of up to 360 days, at which time they must be renewed. These authorities can set higher percentages for personal guarantees. The risk limit may also be cancelled while in force, whenever a relevant and detrimental fact about the client is discovered. Credit decisions are collectively made by the credit committees within their given authorities.

The board's credit and risk committees have the following decision-making power:

Committee	Limit
Credit or Risk Committee of Decision Group II	R$1.0 million
Credit or Risk Committee of Decision Group I	R$2.0 million
Executive Board Committee, with opinion from Credit or Risk Committee of Decision Group I	Over R$2.0 million and up to 3% of our shareholders' equity
Administrative Board, with opinion from Credit or Risk Committee of Group I and Executive Board	Over 3% our of shareholders' equity

The table below shows the composition of our committees with power to make decisions on credit transactions and their limits:

Committee	Composition
Credit Committee – Decision Group I	Superintendent of Credit-Coordinator Operational Unit Superintendent of Foreign-Exchange Unit Superintendent of Corporate Unit Superintendent of Retail Unit Superintendent of Credit Policy and Risk Analysis Unit
Credit Committee – Decision Group II	Analysts
Risk Committee – Decision Group I	Superintendent and Manager of Credit Policy and Risk Analysis Unit
Risk Committee – Decision Group II	Analysts

For further information on our credit rate risk policy see note 24 to our financial statements for the nine-month period ended September 30, 2011 included elsewhere in these listing particulars.

Market Risk and Sensitivity Analysis

Market risk management is the process by which potential risks that might affect the price of financial instruments are noted and managed. These risks include those that might have a direct or indirect adverse impact on our assets, liabilities and derivatives (transactions not accounted for on our balance sheets). We use the set of sensitivity analysis methodologies presented below to evaluate market risk. Sensitivity analyses assess the potential loss of future revenue from hypothetical changes to interest and exchange rates. For further information on our market risk policies see note 24 of our financial statements for the nine-month period ended September 30, 2011.

The following criteria and methodologies are used to analyze sensitivity:

Value at risk

We use the Value at Risk or "VaR" model to assess portfolio and derivative risks. Data used to generate market curves are based on data from ANBIMA and the Securities, Commodities & Futures Exchange (*BM&F BOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*), or BM&F. This model employs interest rates, indices and historic volatility of market prices to estimate the potential loss for one day in the value of our portfolio due to adverse moves in the market. The VaR model analyzes the correlation between price volatility

and market rates, estimating the maximum potential loss within a confidence interval. In our case, the confidence interval is set at 99%.

Our financial director evaluates risk exposure with the support of our finance and accounting units. The finance unit periodically conducts stress tests on positions using scenarios prepared in conjunction with the financial control unit. The scenarios are revised each week or during shorter periods, whenever relevant changes occur in the behavior of the economic environment.

The daily VaR is provided by the finance unit in order to enable preventive decisions to be taken regarding the portfolio and the positioning of the desired level of risk. Since implementation of the risk system, the risk level that we have defined as acceptable has not yet been breached.

In the nine-month period ended September 30, 2011, our average VaR was R$74,174 million and our maximum VaR was R$295,162 million, compared to R$59,795 million and R$79,902 million during the same period in 2010. For the fiscal years ended December 31, 2010, 2009 and 2008, the average VaR was R$66,875 million, R$69,840 million and R$75,814 million, and the maximum VaR was R$104,491 million, R$117,534 million and R$272,081 million, respectively.

Our securities portfolio mainly comprises Brazilian Treasury and Central Bank securities. Federal debt bonds are the most liquid assets that we hold and can be converted into currency almost immediately by selling the asset or entering into purchase-and-sale agreements. As of September 30, 2011, nearly R$8,937.5 million or 97.86% of these securities were "post-fixed." To calculate our VaR, the interest rate risk and market-price volatility of these notes are taken into account.

Stress tests

Stress tests are also part of our risk policy as they determine the effects of extreme market conditions on the value of our portfolio. Improving or worsening market trend scenarios are defined and revised every month. Additionally, whenever we foresee political or economic events that might affect the financial market, a new scenario is generated and positions are reassessed in order to understand their impacts on us. Application of these scenarios enables a sensitivity evaluation of the impacts of losses or gains in the portfolios' market value. We conduct these stress tests on a quarterly basis.

In compliance with CVM Instruction No. 475 as of December 17, 2008, we conduct sensitivity analyses of our trading portfolios. We have stress tests were carried out for variations in the following scenarios:

- Scenario 1: a shock of 1% in market risk variables based on the prevailing conditions as of September 30, 2011.
- Scenario 2: a shock of 25% in market risk variables based on the prevailing conditions as of September 30, 2011.
- Scenario 3: a shock of 50% in market risk variables based on the prevailing conditions as of September 30, 2011.

The market risk variables for the above tests are:

- Interest Rate – Exposure related to variations in interest rates and fixed-coupon interest rates.
- Foreign Currency - Exposure to currency fluctuations.
- Equity - Exposure to stock price variations.

The following table presents the maximum expected loss in scenarios 1, 2 and 3 and their variations.

Risk Factor	**Scenario 1**	**Scenario 2**	**Scenario 3**
		(*in R$ million*)	
Interest Rate[1]	214	5,259	10,350
Exchange Rate[2]	730	18,258	36,517

Risk Factor	Scenario 1	Scenario 2	Scenario 3
Equity[3]	113	2,820	5,640
Total	1,057	26,337	52,507

(1) Exposure based on variations in interest rates and fixed-coupon interest rates
(2) Exposure based on currency fluctuations. Figures were converted using the rate of R$1.85 per U.S.$1.00 as of September 30, 2011.
(3) Exposure based on the variations in stock prices

Liquidity Risks

Our board of directors defines our policy for managing assets and liabilities. The policy is designed to ensure the smallest possible exposure to interest rates, maturities and currency variations. Our financial board monitors maturity rifts and positions and manages them within the limits set by our funding and allocation committee. These positions are reviewed each week and promptly changed as the market moves.

We have a specific administrative and operating structure for managing and controlling liquidity, whereby the consistency of our transactions are reviewed once a day, both from a quantitative and qualitative point of view. For further information on our liquidity risk policy see note 24 of our financial statements for the nine-month period ended September 30, 2011.

Operating Risk

On December 21, 2006, our administrative board approved our operating risk management structure and named our Chief Executive Officer as the person in charge of risk management, in accordance with CMN Resolution No. 3,380, of June 29, 2006. During the first quarter of 2011, we created the Board of Risk and Control to further our risk management goals and to adhere to best market practices. The head of this group, the director, is responsible for the operational risk management of the company.

Our institutional operating risk policy and the processes, procedures and systems required for its implementation have been defined and were implemented in December 31, 2007.

The Corporate Risk Unit was created in August 2010 to integrate and consolidate the manner, policies and processes used to manage risk. The Banrisul Operational Risks Policy defines the responsibilities of all parties involved in risk management. We review and update this policy periodically based on current regulations, and as it is an important institutional guideline for improvements to our internal controls and reductions in our level of risk exposure. Under our risk methodology we do the follow: rate the level of risk; (2) use these ratings to implement an action plans; and (3) apply our risk evaluation questionnaire to create an operational risk matrix. We recently concluded our first cycle of operational risk evaluation of our internal processes. We submitted the results of this evaluation, as well as our proposed plans for mitigating risk mitigation, to our senior management for approval. Currently, we are monitoring the enforcement of proposed lawsuits.

We have various ongoing projects currently being analyzed by working groups that identify, mitigate, manage and evaluate operating risk, including:

- Preparation and publication of policy, norms and rules for information security;
- Implementation of solutions for risk analysis and management of secure information, seeking to elevate the efficiency and quality of the internal-control systems and assist with the risk management and analysis of our corporate systems, focusing on management of operating risk; and
- Business Continuity Management (*Gestão de Continuidade de Negócios*), or GCN, which includes: (i) a Disaster Recovery Plan (DRP) for IT and infrastructure assets; (ii) an Operating Continuity Plan (OCP) for process and business; and (iii) a Crisis Monitoring Plan (CMP) for overseeing continuity management.

Off-Balance Sheet Transactions

We are not a party to any other off-balance sheet transactions.

BANKING INDUSTRY OVERVIEW

Evolution of the Brazilian Banking Industry

The Brazilian banking industry has experienced a major structural change, evolving from operating in a high-inflation environment in the 1980s and early 1990s, to operating in a low-inflation environment combined with more macroeconomic and monetary stability from 1994 onwards, when the *real* was introduced as Brazil's official currency.

The monetary stability achieved in 1994 led to sustained growth in credit demand in Brazil. This growth, combined with the loss of profits associated with high inflation rates, caused the banking industry to improve its efficiency ratios and increase revenues from services. As a result, the banking industry entered a period of rationalization and consolidation. The Brazilian Government has been monitoring this process closely, creating programs aimed at protecting the average Brazilian citizens, including measures to ensure the solvency of institutions and increase competition among private banks. The Brazilian Government also reduced entry restrictions to foreign banks in the Brazilian market.

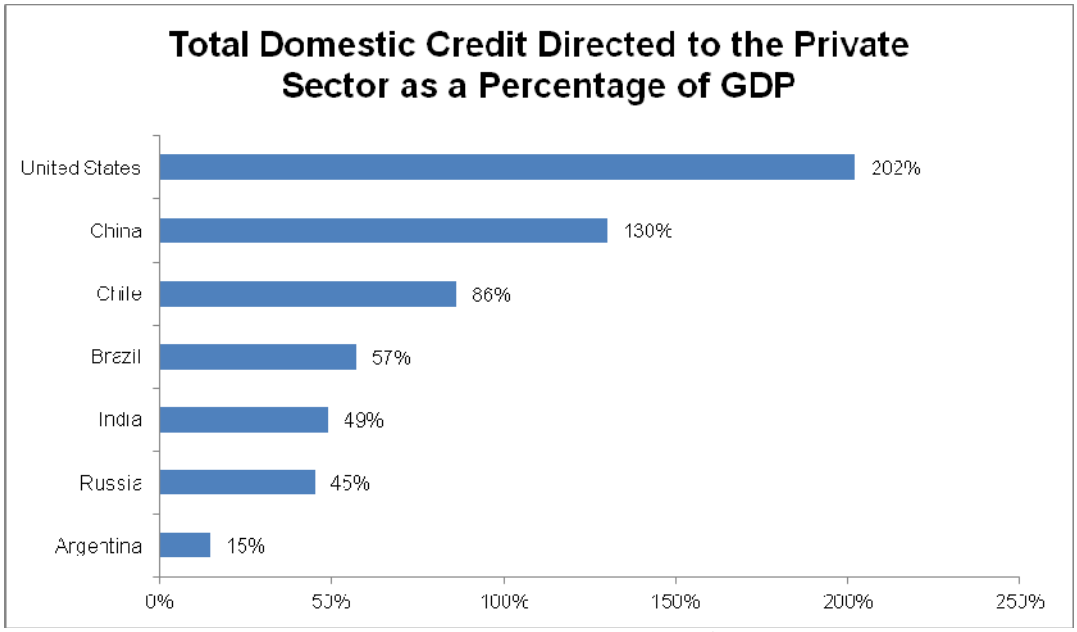
Over the last three years, in particular since the second half of 2008, the global banking industry was seriously affected by the financial crisis, which contributed significantly to the reduction of this industry's assets. The effects of the crisis in Brazil were relatively moderate in comparison with the effects in the United States and Europe. While liquidity in the Brazilian banking sector was, in a certain manner, affected by the global financial crisis, the Central Bank assured availability of enough liquidity in the Brazilian market during this period of instability through several measures, such as reducing the SELIC rate from 13.75% to 8.75%, decreasing bank reserve requirements, establishing "swap" transaction from dollars to *reais* between the FED and the Central Bank, allowing the Brazilian public banks to acquire stock in financial institutions without taking part in a bidding process and making capital contributions to BNDES.

Although Brazil still has a low penetration ratio of banking products within its population when compared to more developed countries, such penetration has been increasing over the last few years. According to the Brazilian Federation of Banks (*Federação Brasileira de Bancos*), or FEBRABAN, as of June 15, 2011 approximately 40 million Brazilians had no access to banking services.

The table below shows the evolution of the balance of loans within the Brazilian financial system which are granted by financial institutions with funds not required to be used for any particular purpose under applicable regulation.

	Consumer loans(1)(2)		**Corporate Loans(3)**		**Total**
As of December 31,	**(*R$ billions*)**	**(%) of loan portfolio**	**(*R$ billions*)**	**(%) of loan portfolio**	**(*R$ billions*)**
2001	69.9	36.0	124.2	64.0	194.1
2002	76.2	35.9	136.2	64.1	212.4
2003	88.1	39.3	136.1	60.7	224.2
2004	113.3	41.7	158.1	58.3	271.4
2005	155.2	45.6	185.4	54.4	340.6
2006	191.8	46.8	217.6	53.2	409.5
2007	240.2	45.9	283.5	54.1	523.7
2008	277.6	41.5	391.5	58.5	669.1
2009	323.8	49.2	397.8	50.8	721.6
2010	417.3	47.4	462.7	52.6	880.1
2001 to 2010 CAGR	**19.6**	**-**	**14.1**	**-**	**16.3**
As of September 30, 2011	491.9	48.3	526.7	51.7	1,018.6

(1) Overdraft loans, consumer credit, real estate loans, loans for acquiring goods, credit cards and others.
(2) This category is comparable to our individual and consumer loans, purchased consumer loans portfolios and other loans operations.
(3) This category is comparable to our operations other than individual and consumer loans, purchased consumer loans portfolios and other loans.
Source: Central Bank



Source: International Monetary Fund, International Financial Statistics and data files and World Bank and OECD GDP estimates.

Main Financial Institutions

Brazilian Regulatory Authorities

The Brazilian financial system is subject to several regulatory and supervisory authorities, including the CMN, the Central Bank, the CVM, the Superintendency of Private Insurance (*Superintendência de Seguros Privados*), or SUSEP, and the National Secretariat for Pension Funds (*Secretaria Nacional de Previdencia Complementar*), or PREVIC, which are subordinated to several governmental authorities.

Private Sector Financial Institutions

The private sector of the Brazilian financial system includes, among others, multi-service banks, commercial banks, investment banks, credit, finance and investment companies, securities dealers, stock brokerage firms, real estate financing companies, lease companies and factoring companies.

As of September 30, 2011, according to the Central Bank's website, there were 2,261 financial institutions regulated and supervised by the Central Bank, including:

- *20 Commercial Banks*—financial institutions that receive current account deposits, grant short- and medium-term loans and are engaged in wholesale and retail banking;

- *14 Investment Banks*—financial institutions specialized in medium- and long-term loans and asset management services. These banks do not hold demand deposits and their main sources of funding are time deposits or foreign loans for local onlending. Their main lending transactions are working capital and loans for fixed capital, securities underwriting and trading, interbank deposits and onlending of foreign loans; and

- *139 Multi-Service Banks*—financial institutions authorized to engage in multiple financial activities pursuant to applicable laws and regulations governing each type of activity, such as commercial, investment and loan transactions. Such banks are authorized to provide a full range of commercial and investment banking services (including securities underwriting and trading), lease and other services, such as real estate loans and fund management.

Public Sector Financial Institutions

Despite the privatization process both at federal and state levels, the Brazilian Government and several state governments still control many major commercial banks and financial institutions, with the purpose of

encouraging the development of the Brazilian economy, primarily with respect to the agricultural, industrial and housing sectors. Such institutions hold a substantial portion of deposits and assets in the financial system and play a major role in relation to savings accounts, mortgage notes and agricultural loans. In addition, development banks act as regional development agencies.

In addition to ourselves, the most important Brazilian Government-controlled banks are:

- *Banco Nacional de Desenvolvimento Econômico e Social—BNDES*: the main agent of the Brazilian Government's investment policy, providing long-term financing for companies of all sizes to support their respective cash expenditure programs.

- *Caixa Econômica Federal*: the main agent of the Brazilian Government's housing policy. Caixa Econômica Federal, or CEF, accepts demand and savings deposits and provides housing finance, participating in urban infrastructure projects and consumer lending.

- *Banco do Brasil*: the largest bank in Latin America in terms of assets. Banco do Brasil provides a full range of commercial and retail banking services to all levels of government, businesses in general and consumers.

In addition to the institutions above, the following are also considered part of the public sector within the Brazilian financial system: (i) state and regional development banks; (ii) state savings banks; and (iii) federal and state-controlled commercial and multi-service banks.

Our Principal Markets

The Brazilian Consumer Lending Market

According to the Central Bank, total loan transactions with consumers (which, for our purposes, includes our individual and consumer and other credit operations portfolios), increased by an average of 21.4% between 2007 and 2010 (CAGR), reaching R$417.1 billion as of December 31, 2010. As of that date, credit to consumers and financing of vehicles represented 85.2% of the total consumer credit transactions. Credit to individuals continued its expansion in 2011, reaching R$491.9 billion as of September 30, 2011.

The table below shows the growth of consumer lending outstanding in Brazil by product:

	As of September 30, 2011		**As of December 31, 2010**		**As of December 31, 2009**		**As of December 31, 2008**		**As of December 31, 2007**		**2007 to 2010 CAGR**
	(*R$ billion*)	**(%) of loan portfolio**	**(*R$ billion*)**	**(%) of loan portfolio**	**(*R$ billion*)**	**(%) of loan portfolio**	**(*R$ billion*)**	**(%) of loan portfolio**	**(%) of loan portfolio**	**(*R$ billion*)**	**CAGR (1)**
Overdraft facilities	21.1	4.3	16.2	3.9	15.8	4.9	13.0	5.4	11.8	6.1	8.3%
Consumer credit	237.7	48.3	204.9	49.1	159.9	50.1	100.9	42.0	79.9	41.6	26.6%
Financing for vehicles and other goods	176.5	35.9	150.7	36.1	103.6	32.4	93.9	39.1	74.3	38.7	19.3%
Credit card financing	35.4	7.2	29.1	7.0	25.7	8.0	17.2	7.1	13.4	7.0	21.4%
Real estate financing/ Mortgage	11.8	2.4	7.3	1.8	4.5	1.4	2.3	0.9	1.2	0.6	57.1%
Other	9.5	1.9	8.9	2.1	9.9	3.1	13.0	5.4	11.3	5.9	(5.8)%
Total	**491.9**	**100.0**	**417.1**	**100.0**	**319.4**	**100.0**	**240.2**	**100.0**	**191.8**	**100.0**	21.4%

(1) CAGR—Compound Annual Growth Rate.
Source: Central Bank.

Overdraft Facilities

Overdraft facilities have higher interest rates than other financing alternatives. The overdraft contract is renewed on a monthly basis and the overdue interest is incorporated into the principal amount of the loan, if not paid by the due date.

Consumer Credit

Consumer credit is frequently used by consumers who have limited access to credit facilities and is characterized by high interest rates due to the high default rates. Credit is made available in a lump sum to the consumer who repays the loan in monthly installments.

Financing for Vehicles

The vehicle financing market is dominated by the large retail banks, which have gradually taken over the position that was held in the past by the financial companies of vehicles manufacturers. Interest rates in this market are highly competitive. Smaller institutions in this market primarily focus on the used car market. Default rates are relatively low and loans are secured by the financed asset, which can be repossessed and publicly auctioned in the event of default.

Credit Card Financings

The large retail banks are the major players in the credit card financing market. Credit card financings have high rates of default and, consequently, interest rates for consumers are high.

Real Estate Financing / Mortgage

The Brazilian Government has adopted a number of policies over the last few years to reduce the housing deficit in the country, including policies to increase real estate financing, especially for the low-income class. As a result, real estate financing has significantly increased over the last few years.

Rural and Agricultural Credit Market

Agribusiness plays a strategic role in the Brazilian economy, primarily by generating funds for the country's trade balance from exports. The agricultural credit market is subject to current regulations and legislation and to the rules set forth by the Rural Credit Manual (*Manual de Crédito Rural*), or the MCR. Agricultural credit operations are considered to be those in which National Rural Credit System (*Sistema Nacional de Crédito Rural*), or the SNCR, institutions supply funds for the purposes specified in the MCR and in accordance with its provisions.

The main objectives of agricultural credit are to: (i) foster agricultural investments in the production, storage, processing and industrialization of agricultural and livestock farming products; (ii) favor the timely and appropriate funding of agricultural and livestock farming production and commercialization; (iii) strengthen the agricultural sector; and (iv) encourage the introduction of rational methods in the production system, aiming at increasing productivity, improving the standard of living of agricultural communities and adequately protecting the soil.

Agricultural credit can be used for the following purposes: (i) funding; (ii) investment; and (iii) commercialization. Funding credit is used for covering normal production cycle expenses. Investment loans are used for investing in goods or services, the benefits of which are reflected over various production cycles. Commercialization loans are to cover expenses during the post-production phase or to convert into cash the receivables coming from the sale or delivery of products by the producers or their cooperatives.

The funds earmarked for the agricultural sector are divided into regulated and non-regulated funds. Operations secured by regulated funds are subject to the CMN's normal financial charges, in accordance with the underlying goods to which the loans refer.

The regulated agricultural credit funds include: (i) compulsory funds, calculated on demand deposits and subject to the compulsory payments made by financial institutions; (ii) official credit operations, monitored by the Ministry of Finance; (iii) the agricultural savings account, the worker protection fund and the "extra-market" investment fund, when in connection with operations subsidized by the Brazilian Government in the form of financial charges' equalization; and (iv) others that may be specified by the CMN.

Financial charges on operations covered by non-regulated agricultural credit funds can be freely negotiated between the borrower and the lender.

REGULATION OF THE BRAZILIAN BANKING INDUSTRY

Overview

The basic institutional framework of the Brazilian financial system was established by the Banking Reform Law on December 31, 1964. The Banking Reform Law created the CMN and granted the Central Bank, among others, the right to issue Brazil's currency and exercise credit control.

Main Regulatory Agencies

National Monetary Council (CMN)

The CMN is the highest authority of the Brazilian financial system, responsible for monetary, credit, budgeting, fiscal and public-debt policies. CMN policies include, among other objectives, the following:

- adjusting the volume of currency to the needs of the Brazilian economy;
- regulating the domestic value of the currency;
- regulating the external value of the currency and the country's balance of payments;
- regulating the establishment and operation of financial institutions;
- directing the investment of funds by government-owned or private financial institutions, taking into account different regions of the country and favorable conditions for the harmonious development of the national economy;
- enabling improvement of the resources of financial institutions and of financial instruments;
- monitoring the liquidity and solvency of financial institutions;
- coordinating monetary, credit, budgeting, fiscal and public-debt policies;
- establishing the policy to be followed in the organization and operation of the Brazilian securities market; and
- establishing standards and rules for currency exchange policies, including purchase and sale of gold and transactions in foreign currencies.

The Minister of Finance is the chairman of the CMN, which is also composed of the Ministry of Planning, Budgeting and Management and the President of the Central Bank.

The Central Bank

The Banking Reform Law empowered the Central Bank of Brazil to implement the monetary and credit policies of the CMN, as well as to supervise public and private financial institutions and, when needed, apply the penalties set forth by law to such institutions. Further, it also made the Central Bank responsible for, among others, controlling credit and foreign capital, receiving mandatory payments and voluntary demand deposits made by financial institutions, engaging in rediscount operations and loans to financial banking institutions, and being the depository of official reserves of gold and foreign currency. The Central Bank also controls and approves the operation, control transfer, and corporate reorganization of financial institutions, as well as the transfer of the location of its branches (in Brazil or abroad). The Central Bank is also responsible for requiring periodic disclosure of financial institution's financial statements and for setting minimum capital requirements, compulsory reserve requirements and operational limits to be met by Brazilian financial institutions.

The President of the Central Bank is appointed by the President of Brazil, subject to ratification by the Senate, to hold office for an indefinite period of time.

Brazilian Securities Commission (CVM)

The CVM is the agency responsible for implementing CMN policy for the securities market and regulating, developing, controlling and supervising the securities market, pursuant to the securities laws and to

the Brazilian Corporate Law. With headquarters in the City of Rio de Janeiro, State of Rio de Janeiro, and jurisdiction over the entire Brazilian territory, the CVM is an agency of the Ministry of Finance. It is an independent legal entity with its own corporate existence and assets.

The CVM is responsible, among other things, for regulating, monitoring and inspecting publicly-held companies, the trading and intermediation in the securities and derivatives markets, the organization, functioning and operation of stock exchanges and commodities and futures exchanges, and the management and custody of securities.

Pursuant to Law No. 10,303 of October 31, 2001, the regulation and supervision of mutual 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 officers appointed by the President of Brazil among individuals of high reputation who are known for their expertise in matters of capital markets and whose appointment shall be ratified by the Senate. The term of office of CVM officers is five years, reappointment is not permitted and one fifth of such officers are appointed each year.

Brazilian Council of Private Insurance (CNSP)

The CNSP establishes the guidelines and rules governing private insurance policies. The CNSP is comprised of the Minister of Finance (Chairman), members appointed by the Ministries of Justice and Social Security, the SUSEP, the Central Bank and CVM. CNSP's duties include: (i) regulating the establishment, organization, operation and oversight of those who conduct activities subject to the Brazilian Private Insurance System (SNSP); (ii) enforcing penalties; (iii) setting the general provisions for insurance contracts, pension plans, capitalization and reinsurance; and (iv) establishing the general guidelines of reinsurance operations.

Legal Reform of Brazilian Banking System

Article 192 of the Brazilian Federal Constitution, enacted in 1988, set a maximum interest rate per annum of 12% on bank loans. However, the limit has not been enforced since the enactment of the Brazilian Federal Constitution because this provision requires complementary regulation that has not yet been issued. Several attempts to regulate the maximum interest on bank loans have been unsuccessful.

In May 2003, EC 40/03 was approved in lieu of Article 192 of the Brazilian Federal Constitution. EC 40/03 replaced the restrictive constitutional provision on the maximum interest rate by granting overall authority to the Brazilian Congress to regulate the Brazilian financial system through specific legislation.

After the enactment of the Brazilian Civil Code, the maximum interest rate was indexed to the SELIC rate, unless parties agreed to a different interest rate.

As of the date hereof, uncertainty still remains as to which should be the maximum interest rate in Brazil, the SELIC rate or the former interest rate of 12% per annum, and as to the enforceability of this limit on transactions carried out by financial institutions. For further information see "Risk Factors—The provision in the Brazilian Constitution that established a ceiling on loan interest rates is not enforced."

Foreign Investments

Foreign Banks

The Brazilian Federal Constitution prohibits foreign financial institutions from opening branches in Brazil, unless authorized by a presidential decree, according to the directives established under Statement of Justification (*Exposição de Motivos*), No. 311, dated as of August 23, 1995, issued by the Ministry of Finance (unless the foreign entity is acquiring an authorized level of foreign participation in a Brazilian entity, in which case there is no need for a new Presidential Decree). A foreign financial institution duly authorized to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any Brazilian financial institution.

Foreign Investments in Brazilian Financial Institutions

The Brazilian Federal Constitution permits individuals and companies residing, or incorporated abroad, to invest in the voting capital of Brazilian financial institutions, provided that such investors have a specific authorization from the Brazilian Government and investments are within the limits set forth by the Central

Bank. Foreign investors who have not obtained such specific authorization may, however, by public negotiation, acquire non-voting shares issued by Brazilian financial institutions or depositary receipts representing non-voting shares, offered abroad through public offerings.

The Role of the Government in the Brazilian Banking System

In light of the global financial crisis, on October 6, 2008, the then Brazilian President issued a provisional measure on the internal use of reserves denominated in foreign currency by the Central Bank to provide liquidity to financial institutions by means of re-discount and loan transactions. In addition, Law No. 11,908 of March 3, 2009 authorized: (i) Banco do Brasil S.A., or Banco do Brasil, and Caixa Econômica Federal S.A., or CEF, to acquire, directly or indirectly, with or without control, equity interests in private and government-owned companies in Brazil, including insurance companies, pension plan institutions and capitalization companies; (ii) Caixa Banco de Investimentos S.A. to be established as a wholly-owned subsidiary of CEF for investment bank operations; and (iii) the Central Bank to carry out swap transactions in foreign currency with central banks of other countries.

CMN Resolution No. 3,656 of December 17, 2008 amended the applicable internal regulation of the FGC to allow it to invest up to 50% of its net equity in: (i) acquisition of credit rights from financial institutions and lease companies; (ii) certificated and non-certificated banking deposits, lease notes and bills of exchange accepted by associated institutions, provided that they are guaranteed by credit rights created or to be created in the respective transaction, or other credit rights with *in rem* or *in personam* guarantee; and (iii) linked transactions (*operações ativas vinculadas*), under the terms of CMN Resolution No. 2,921 of January 17, 2002. The FGC may sell other assets acquired in the transactions listed in items (i), (ii) and (iii). As per CMN Resolution No. 3,931 of December 3, 2010, the raising of funds through banking deposits without issuance of certificates and with special guarantees to be provided by the FGC will decrease gradually until such deposits cease to be accepted by financial institutions in January 2016.

Corporate Structure

Banks must be organized as corporations (*sociedades por ações*) and be subject to the provisions of the Brazilian Corporate Law and the regulations issued by the Central Bank and the CMN, and also to inspections by the CVM if they are publicly-held corporations.

The share capital of financial institutions may be divided into voting or non-voting shares, but non-voting shares may not exceed 50% of the total share capital.

Limitations and Restrictions on Financial Institutions

Limitations on the Extension of Credit

The activities carried out by financial institutions are subject to several limitations and restrictions. These limitations and restrictions are generally related to the granting of credit, risk concentration, investments, sales under repurchase transactions, foreign currencies loans, asset management, micro-credit and payroll-deducted credit.

The main restrictions and limitations imposed on financial institutions are the prohibitions to grant loans or make advances to (i) individuals or companies holding, directly or indirectly, more than 10% of the institution's capital stock, except under specific circumstances authorized by the Central Bank; (ii) companies in which they hold more than 10% of the capital stock; and (iii) its directors or officers and their immediate family members or companies in which any of these persons hold, directly or indirectly, more than 10% of the capital stock.

Restrictions to transactions with related parties do not apply to transactions between financial institutions in the interbanking market. Restrictions to loan or advances to individuals or companies holding more than 10% of the institution's capital stock are not applicable for public financial institutions.

Furthermore, financial institutions must also comply with certain limitations regarding concentration of risk. Such restrictions prevent financial institutions to grant loans or make advances to any individual or legal entity or a group of persons representing a common economic interest in an amount that exceeds 25% of the value of its regulatory capital.

Limitations on Repurchase Transactions

Repurchase transactions (*operações compromissadas*) are transactions involving assets that are sold or purchased that may subject the seller or the buyer to repurchase or resell the assets (as the case may be) upon the occurrence of certain conditions contractually agreed. The conditions triggering the repurchase or resale obligation vary from one transaction to the other, and typically must occur within a particular timeframe.

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 regulatory capital. Within this limit, repurchase transactions involving private securities may not exceed five times the amount of the regulatory capital. Limits on repurchase transactions involving securities backed by Brazilian Government 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.

Limitations on Foreign Currency Loans

Financial institutions may borrow foreign currency denominated funds in the international markets (either through bilateral loans or the issuance of debt securities), for onlending or other purposes contemplated in the applicable regulation. Banks conduct these onlending transactions through loans payable in Brazilian currency and denominated in foreign currency. The terms of the onlending must correspond to the terms of the original transaction. The interest rate charged on the underlying foreign loan must also conform to international market practices. In addition to the original cost of the transaction, the financial institution may only charge an 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.

Regulations Affecting Financial Market Liquidity

Compulsory Deposits and Other Requirements

The Central Bank currently imposes several compulsory deposits, requirements to financial institutions. Some of the current types of reserves required under Brazilian law include:

Demand Deposits

Pursuant to Central Bank 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, banks and other financial institutions in general are currently required to deposit with the Central Bank, on a non-interest bearing basis, 43% of the sum of the daily average balance of their demand deposits, bank drafts, banking collections, collection receivables and tax receipts, debt assumption transactions and proceeds from the realization of guarantees granted to financial institutions in excess of R$44 million. This requirement has increased to 43% on July 7, 2010 and will increase to 44% on July 18, 2012; and 45% on July 2, 2014. As of the closing of each day, the balance in such account must be equivalent to at least 80% of the reserve requirement for the respective calculation period.

Savings Accounts

The Central Bank currently requires Brazilian financial institutions to deposit, on a weekly basis, in an interest-bearing account with the Central Bank, an amount equivalent to 20% of the weekly average of the aggregate balance of savings accounts during the prior week. These requirements are set forth in Central Bank Circular No. 3,093, dated March 1, 2002, as amended by Central Bank Circular No. 3,128, dated June 24, 2002, Central Bank Circular No. 3,130, dated June 27, 2002, and CMN Resolution No. 3,932, dated December 16, 2010. In addition, a minimum of 65% of the total amount of deposits in savings accounts must generally be used to finance residential real estate or the housing construction sector. Amounts that can be used to satisfy this requirement include, in addition to direct residential real estate financings, mortgage notes, written-off residential real estate loans, and certain other financings, all as specified in guidance issued by the Central Bank. Pursuant to Resolution No. 3,023, dated October 11, 2002, as amended, the CMN established an additional reserve requirement of 10% on the agricultural savings accounts we hold and on the savings account funds captured by the entities of SBPE.

Time Deposits

Pursuant to Central Bank Circular No. 3,569, dated December 22, 2011, as amended, 20% of a financial institution's time deposits exceeding R$30 million must be deposited with the Central Bank, in the amount exceeding: (i) R$3.0 billion for financial institutions with a Tier 1 component of the regulatory capital below R$2.0 billion; (ii) R$2.0 billion for financial institutions with Tier 1 component of the regulatory capital equal to or higher than R$2.0 billion and below R$5.0 billion; (iii) R$1.0 billion for financial institutions with a Tier I component of their regulatory capital equal to or higher than R$5.0 billion and below R$7.0 billion; and (iv) zero for financial institutions with a Tier 1 component of their regulatory capital equal to or higher than R$7.0 billion. A financial institution that holds compulsory time deposits up to R$0.5 million is exempt from the reserve requirement of Circular No. 3,569, although it must provide information to the Central Bank on time deposits held by it. Interest on such deposits is paid at a SELIC based rate and is limited to part of these deposits – 73% from February 2012 to April 2012 and 64% after April 2012. As of the closing of each day, the balance in such account must be equivalent to 100% of such additional reserve requirement.

Additional Deposit Requirements (Demand Deposits, Savings Accounts and Time Deposits)

On August 14, 2002, the Central Bank, by means of Circular No. 3,144, as amended by Circular No. 3,486 of February 24, 2010, Circular No. 3,514 of December 3, 2010 and Circular No. 3,528 of March 23, 2011, 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, these entities are required to reserve, on a weekly basis, the cash equivalent to the sum of (i) 12% of the arithmetic average of the time deposits funds and certain other amounts subject to the respective reserve requirement; (ii) 10% of the arithmetic average of the savings deposits funds subject to the respective reserve requirement; and (iii) 12% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. These entities will only be required to reserve these funds to the extent they exceed (i) R$3.0 billion, for financial institutions with adjusted Tier 1 component of the regulatory capital below R$2.0 billion; (ii) R$2.0 billion, for financial institutions with Tier 1 component of the regulatory capital below R$5.0 billion and equal to or higher than R$2.0 billion; (iii) R$1.0 billion, for financial institutions with Tier I component of the regulatory capital below R$7.0 billion and equal to or higher than R$5.0 billion, or (iv) zero, for financial institutions with Tier 1 component of the regulatory capital equal to or higher than R$7.0 billion. If the applicable reserve requirement of a financial institution is below R$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Circular No. 3,144 and amendments thereto. The reserve requirement must be met in cash in a specific account and, at the end of each day, the balance in such account must be equivalent to 100% of such additional reserve requirement.

Agricultural loans

The MCR, published by the Central Bank, requires financial institutions authorized to conduct agricultural credit operations to maintain a daily average balance of agricultural loans not lower than (i) 28% (to be gradatively reduced to 27%, 26% and 25%, on July 2012, 2013 and 2014) of resources arising from a certain amount calculated over demand deposits, calculated in accordance with Resolution No. 3,746, as of June 30, 2009, published by the Central Bank; and (ii) 68% (to be gradatively reduced to 67%, 66% and 65%, on July 2012, 2013 and 2014) of its agricultural savings deposits. A financial institution that does not meet these requirements will be subject to payment of fines, calculated on the daily difference between the required balance and the portion actually used for agricultural lending, and to a penalty or, if the financial institution wishes, it must deposit the unused amount in a non-interest bearing account maintained with the Central Bank until the last business day of the subsequent month.

Foreign currency

Recently, pursuant to Circular No. 3,548, of July 8, 2011, the Central Bank established that Brazilian financial institutions authorized to carry out foreign exchange transactions are required, since July 2011, to deposit 60% of daily exposure in foreign currencies exceeding the lesser of the following: (i) the amount equivalent to US$1.0 billion; or (ii) the amount equivalent to the Tier 1 component of the regulatory capital of the financial institution. Financial conglomerates may calculate these reserve requirements on a consolidated basis, in which case, a 60% rate will be applied over the financial conglomerate's daily exposure in foreign currencies, deducted from the daily long positions in foreign currencies, exceeding the lesser of the following: (i) the amount equivalent to US$1.0 billion; or (ii) the amount equivalent to the Tier 1 component of the

regulatory capital of the financial conglomerate. Deposits will be made with the Central Bank on a non-interest bearing basis. If the applicable reserve requirement of a financial institution or financial conglomerate is below R$0.1 million, such financial institution will be exempt from setting aside reserve requirements set forth by Circular No. 3,548.

Deposits and Guarantees

Pursuant to the Central Bank Circular No. 3,090, dated as of March 1, 2002, financial institutions are required to deposit with the Central Bank, on a non-interest bearing basis, an amount in cash equivalent to 45.0% of the amounts corresponding to the sum of the average balance of (i) deposits made by individuals or legal entities domiciled abroad, compulsory deposits and linked deposits (*depósitos vinculados*) in excess of R$2.0 million; and (ii) agreements with assumption of obligation related to transactions carried out in Brazil and guarantees granted by them (*garantias realizadas*) in excess of R$2.0 million. As of the closing of each day, the balance in such account shall be equivalent to at least 100% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the following week.

Foreign Currency and Gold Exposure

Pursuant to CMN Resolution No. 3,488, dated August 29, 2007, the total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30% of its regulatory capital.

Microcredit Regulations

According to CMN Resolution No. 4,000, dated August 25, 2011, at least 2% of the balance of the demand deposits of certain financial institutions must be allocated to low-interest-rate loan transactions designated for lower-income individuals, small companies and unincorporated businesses, following a specific methodology.

In addition, in the past the Central Bank has imposed certain compulsory deposit requirements on other types of transactions that are no longer in effect, but there is no assurance that the Central Bank will not impose similar restrictions in the future.

Regulatory Capital and Shareholders' Equity Standards

Brazilian financial institutions are required to comply with guidelines laid down by the Central Bank and CMN consistent with the accords issued by the Basel Committee on Banking Supervision (BCBS), or Basel Accords, in view of the capital adequacy risk, including the Basel II Accord, which is under implementation in Brazil. Banks provide the Central Bank with the information necessary to discharge its oversight duties, which include monitoring capital adequacy and solvency.

The main principle of the Basel II Accord, as implemented in Brazil, is that a bank's own capital must cover the major of its risks, including credit risks, market risk and operational risk. CMN and Central Bank requirements differ from the Basel II Accord requirements in the following respects, among others:

- Required minimum capital of 11% instead of 8%, as provided under Basel II Accord;
- Required additional capital in relation to off-balance sheet swaps of foreign currency and interest rates;
- Assigned risk weighting and different credit conversion factors for some assets, including a risk weighting of 300% for tax credits;
- Required assessment and report on the minimum capital and equity on a consolidated basis;
- Require banks to set aside a portion of their capital to cover operational risks;
- Preclude the use of external rating for calculating the minimum required capital; and
- The Central Bank uses a conservative approach to define demand of corporate venture capital.

In June 2004, the bank supervision committee of the Bank of International Settlements, or the BIS, endorsed the publication of the International Convergence of Capital Measurement and Capital Standards: A

Revised Framework, otherwise known as the "Basel II Accord." On December 9, 2004, the Central Bank expressed its intention to adopt the Basel II Accord in Brazil. The bulletin indicated that the Central Bank intends to adopt the Basel II Accord gradually, seeking to incorporate provisions applicable to the Brazilian banking sector.

Furthermore, the CMN issued on June 29, 2006, Resolution No. 3,380, which sets out procedures for the implementation of an operational risk internal structure, aimed at fostering compliance with Basel II Accord principles by Brazilian banks. Brazilian banks were required to present their proposed procedures by the end of 2006 and implement their procedures by the end of 2007.

On February 28, 2007, the CMN established the criteria for calculation of regulatory capital. In addition, on August 29, 2007, the CMN established new criteria for calculating the required regulatory capital (PRE) of financial institutions effective from July 1, 2008.

On September 27, 2007, the Central Bank set out a revised schedule for the adoption of the Basel II Accord through Communications No. 16,137 and No. 19,028, indicating that the requirements relating to the use of advanced methods for the valuation of capital will be fully implemented by the first half of 2013.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a substantial strengthening of existing capital requirements and fully endorsed previous agreements on the overall design of the capital and liquidity reform package, the Basel III Accord, presented during the Seoul G20 Leaders summit in November 11, 2010. These reforms would increase the minimum common equity requirement from 2% to 4.5%. In addition, banks will be required to hold a capital conservation buffer of 2.5% to withstand periods of stress, bringing the total common equity requirements to 7%. The new rules are expected to be implemented gradually by the central banks of various countries between 2013 and 2019. See "Risk Factors—Risks Related to the Brazilian Banking Industry—Minimum capital requirement limits imposed on Brazilian financial institutions may negatively affect us".

On January 13, 2011, the Basel Committee expanded on the Basel II capital rules with additional requirements applicable to non-common Tier 1 or Tier 2 instruments issued by internationally active banks. The January 13 Annex imposes further requirements on additional Tier 1 and Tier 2 Capital instruments issued by internationally active banks. The additional requirements would apply to all instruments issued after January 1, 2013; otherwise, qualifying instruments issued prior to that date would be phased out proportionately over a ten-year period, beginning in 2013. On February 17, 2011, the Central Bank issued Communication No. 20,615, whereby the Central Bank indicated its willingness to implement the provisions of the January 13 Annex. For such purpose, the Central Bank will need to issue further regulations, beginning soon, according to a non-binding schedule set forth by Communication No. 20,615. Among other alterations in the Brazilian regulatory framework, the Central Bank intends to change the definition of regulatory capital, which is currently set forth by Resolution 3,444/07.

Regulatory capital is currently taken into account for the determination of operating limits of Brazilian financial institutions (with the exception of the limit of real property), and are represented by the total sum of the Tier 1 equity and Tier 2 equity (pursuant to the terms of Resolution 3,444/07, as amended):

- *Tier 1*. Corresponds to the net assets, the balance of profits and loss accounts of creditors and deposits in escrow accounts to cover capital shortages (pursuant to the terms of CMN Resolution No. 3,398, of August 29, 2006), after deduction of amounts corresponding to (i) the balance of debtor income accounts; (ii) revaluation reserves, contingency reserves and special income reserves relating to mandatory dividends yet to be distributed; (iii) the amounts related to cumulative preferred shares and to redeemable preferred shares; (iv) tax credits (pursuant to Resolution No. 3,059, issued by CMN on December 20, 2002, as amended); (v) permanent deferred assets, net of goodwill paid in the acquisition of investments; and (vi) the balance of unearned gains and losses resulting from the adjustment in the market value of securities classified as "securities available for sale" and derivative financial instruments used for cash flow hedge.

- *Tier 2*. Corresponds to revaluation reserves, contingency reserves, and special reserves of profits relating to mandatory dividends not distributed, added to (i) cumulative preferred shares, redeemable preferred shares, subordinated debts and hybrid instruments and debt papers; and (ii) the balance of unearned gains and losses resulting from the adjustment in the

market value of securities classified as "securities available for sale" and derivative financial instruments used for cash flow hedge.

The total amount of Tier 2 is limited to the total amount of Tier 1, provided that (i) the total amount of revaluation reserves is limited to 25% of 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 Tier 1; and (iii) a 20% reduction will be applied each year to the amount of subordinated debts authorized as Tier 2 equity and of redeemable preferred shares during the five years immediately preceding their respective maturities.

Financial institutions must calculate the reference capital on a consolidated basis. Starting on July 2007, the balances of assets represented by shares, hybrid equity and debt instruments, subordinated debt instruments and other financial instruments authorized by the Central Bank for inclusion in Tier 1 and Tier 2, issued by financial institutions authorized by the Central Bank, must be deducted from the reference capital. In addition, investment fund quotes proportional to these instruments must also be deducted from the reference capital, as well as amounts relating to (i) equity in financial institutions which information the Central Bank does not have access to; (ii) excess funds applied to permanent assets pursuant to the current regulation; and (iii) funds delivered to or available by third parties for related transactions.

In addition to the minimum limits of realized capital and shareholders' equity set forth in the current legislation, financial institutions must keep a regulatory capital 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 required by law or by applicable regulation when such distribution does not prevent compliance with the capital and shareholders' equity standards.

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 gradual changes in the criteria for calculating minimum capital requirements and, consequently, leading to an 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 G20 and that stimulates improvements in market risk management of financial institutions.

See "Other Statistical and Financial Information—Allowance for Loan Losses" for more information on Brazilian regulations with respect to classification of loan operations and allowance for loan losses.

Regulations Applicable to Micro Credit Transactions

The Brazilian Government has taken various measures to encourage low-income individuals and smaller corporations to have greater access to the Brazilian financial system. Such measures include requirements of credit allocation, the simplification of banking procedures and the adjustment of credit union regulations.

Since 2003, commercial banks, service banks licensed to render commercial banking services, the CEF, and credit unions must allocate 2% of their cash deposits for loans at low interest to lower-income individuals, micro enterprises and small unincorporated businesses, according to a specific methodology. The interest rates may not exceed 2% per month (or 4% per month to specific production financings—*microcrédito produtivo*), the repayment term may not exceed 120 days (except in certain cases), and the principal amount may not exceed R$2,000 to individuals and R$5,000 to micro enterprises (or R$15,000 for loans granted under certain specific production financings). Account opening charges in connection with microcredit transactions may not be higher than 2% or 3%, depending on the type of borrower.

Regulation Applicable to Issuance of Financial Bills (*Letras Financeiras*), or LFs

Provisional Measure No. 472, enacted by the Brazilian Government on December 15, 2009 (converted into Law 12,249), among other items, created a long term debt security, enabling a new category of fund raising by Brazilian financial institutions. On February 25, 2010 the CMN issued Resolution No. 3,836, regulating the issuance of LFs. Pursuant to Resolution No. 3,836, the LFs must have a minimum nominal amount of

R$300,000, and a minimum tenor of one year. Pursuant to Instruction No. 488 of December 16, 2010, the CVM has regulated the public offering of Financial Bills in the Brazilian capital markets. LFs with subordination provisions may not be publicly offered, as provided by CMN Resolution No. 3,836.

Regulation Applicable to Agribusiness Credit Bonds (*Letras de Crédito do Agronegócio*), or LCA

Pursuant to Law No. 11,076, of December 30, 2004, the Brazilian Government developed certain financial products, including LCAs, aimed at funding agribusiness in Brazil. LCAs are issued exclusively by private or public financial institutions acting in the agribusiness financing market. Accordingly, LCAs will be backed by the receivables from agribusiness transactions (*e.g.,* facilities for the production of agricultural goods, the acquisition of agricultural equipments, among others), which must be registered with a settlement system duly recognized by the Central Bank. Upon the issuance of an LCA, the underlying receivables will become pledged in favor of the holder of the LCA, which will not surpass the value of the underlying receivables to which it is linked.

Regulation to Guarantee the Security and the Soundness of the Brazilian Financial System

Financial institutions must provide information regarding the credit granted to, and guarantees submitted by, their clients at least annually. This information is used to:

- facilitate the monitoring and regulatory role of the Central Bank;
- provide information on debtors to other financial institutions (which may only have access to such information after prior authorization of the client); and
- prepare macro-economic analyses.

Pursuant to the Central Bank Circular No. 3,567 of December 12, 2011, if the total amount of client transactions exceeds R$5,000 (such threshold to be reduced to R$1,000 as of April 2012), the financial institution must provide the Central Bank with:

- client identification documents;
- a break-down of client transactions, including any guarantees granted by the financial institution to the client obligations; and
- information related to the credit risk classification of the client based on the classification of its credit transactions.

For transactions of R$5,000 or less (such threshold to be reduced to R$1,000 as of April 2012), financial institutions must report only the total amount of transactions per client.

The CMN, through Resolution No. 3,721, dated April 30, 2009, established new standards relating to the credit risk management structure, which were adopted by financial institutions by October 29, 2010. Pursuant to this rule, financial institutions are required to create an internal credit risk management body consistent with the structure of the services and products offered by the financial institution and with its risk exposure. Policies for credit risk management created under this rule are required to be approved and annually reviewed by the board of directors and executive officers of the relevant financial institutions.

Brazilian Payment System

In December 1999, the Brazilian Government issued new rules on the settlement of payments in Brazil, based on the guidelines adopted by the BIS. After a period of testing and gradual implementation, the Brazilian Payment System, began operating in April 2002. The Central Bank and CVM have the authority to regulate and oversee this system. In accordance with these rules, new clearing houses can be set up and all are required to implement procedures to reduce the possibility of systemic crises and mitigate risks currently under the responsibility of the Central Bank. The most important principles of the Brazilian payment system are:

- Existence of two main payment and settlement systems: real time gross settlement, using the reserves deposited with the Central Bank, and deferred net settlement by clearing houses);
- Clearing houses, with a few exceptions, are accountable for the orders they accept; and

- Bankruptcy laws do not affect the payment orders placed through credit from clearing houses, nor the guarantee given to secure such orders. However, the clearing houses have ordinary credits against any participant under the bankruptcy laws.

The systems created by clearing houses are responsible for establishing security mechanisms and rules to curb risks and contingencies, cover losses among market agents and directly execute the positions of the agents, to perform their agreements and exclude warranty held in custody. The clearing houses and settlement service providers considered important for the system are required to set aside a portion of its assets as additional collateral for settlement of transactions.

Under these rules, the responsibility for settling a transaction lies with the clearing house and settlement service providers responsible for it. Once a financial transaction is submitted for clearing and settlement, it usually becomes an obligation of the clearing house and/or settlement service provider, and is no longer exposed to bankruptcy or insolvency by the market agent presenting it to the clearing and settlement.

Pursuant to Circular No. 3,057, of August 31, 2001, the Central Bank, within its authority to regulate the operation of clearing and settlement systems, established that:

- according to Circular No. 3,057, as amended, systemically important systems are: (i) all systems that settle financial assets, securities, stock, financial derivatives and foreign currency transactions; and (ii) systems to transfer funds or settle other interbank transactions which average daily trading volume exceed 4% of the average daily trading volume of the reserve transfer system, or, to the best knowledge of the Central Bank, can jeopardize the flow of payments within the Brazilian payments system;

- systemically important deferred settlement systems ought to promote the final settlement of the results assessed thereby directly into accounts held with the Central Bank;

- the maximum deferral time to settle a transaction should be: (i) the end of day, in the event of transfer of funds; (ii) one business day, in the case of spot transactions in securities and stock other than shares; or (iii) three business days in the case of spot transactions in shares on stock exchanges (except if the Central Bank sets forth a new deadline for cases in which spot transactions in shares occur simultaneously on different stock exchanges). The deadline for settling other transactions is established by the Central Bank on a case-by-case basis; and

- the operator must maintain a net worth consistent with the risks inherent in the settlement systems it operates, subject to a minimum of R$30.0 million, for systemically important operator, or R$5.0 million, for systemically non-important operators.

Financial institutions and other institutions contracted by the Central Bank are also necessary to create mechanisms to identify and avert risks of liquidity, according to certain procedures established by the Central Bank. Within the scope of these procedures, institutions are required to:

- Have criteria in place for measuring liquidity risks and mechanisms for managing them;

- Analyze economic and financial data to assess the impact of different market scenarios on the institution's liquidity and cash flow;

- Prepare reports to enable the institution to monitor liquidity risk;

- Identify and assess mechanisms to undo positions that could threaten the institution economically and/or financially in obtaining the necessary funds to make such reversals;

- Implement control systems and test them regularly;

- Provide the institution's management promptly with information and analyses available on any identified liquidity risk, including any findings or corrective measures taken; and

- Develop contingency plans to address liquidity crises.

Independent Auditor and Audit Committee

Resolution No. 3,198, issued by the CMN on May 27, 2004, as amended, established certain requirements in respect of financial institutions' independent auditors and required financial institutions to have an audit committee.

Financial institutions may hire an independent auditor only among those accountants that are registered with the CVM, with a certification of specialist in banking audit granted by the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*), or the CFC and by IBRACON, and provided that the minimum requirements proving the accountant's independence are met. In addition, the partners and managers of the independent audit firm in charge of the audit of financial institutions must be replaced at least once every five consecutive years. An independent auditor who has worked for a financial institution can only be appointed again after three consecutive years from the date of its replacement. The financial institution must appoint an executive manager responsible for ensuring compliance with the regulations on preparation of financial statements and audit. In addition to the auditor's report, the independent auditor must prepare a report on:

- the evaluation of internal controls and risk management procedures of the financial institution, including issues related to its data processing electronic system, and disclose all deficiencies found; and

- the description of any non-compliance by the financial institution with any regulation to which it is subject, in respect of its financial statements or its activities.

Under CMN Resolution No. 3,198, as amended, every financial institution that (i) has a regulatory capital, or a consolidated regulatory capital equal to or higher than R$1.0 billion; (ii) manages third party assets in an amount greater than R$1.0 billion; or (iii) manages third party assets and deposits in an amount greater than R$5.0 billion; must create an internal audit committee within one year from indicating in its financial statements that any such parameter has been reached. For a definition of regulatory capital, see "Regulation of the Brazilian Banking Industry—Regulations Affecting Financial Market Liquidity—Regulatory Capital and Shareholders' Equity Standards." The audit committee must be created by express provision in the bylaws of the financial institution, and is comprised of at least three members, one of whom must specialize in accounting and auditing. Pursuant to Brazilian legislation, the audit committee members can also serve as members of the board of directors of the financial institution and must meet certain requirements in order to guarantee the independence of the audit committee. Members of the audit committee of banks controlled by the Brazilian Government or banks with shares traded in stock exchanges may not be, or have been over the last 12 months: (i) an officer of the bank or its associate companies; (ii) an employee of the bank or its associate companies; (iii) a technical manager, officer, manager, supervisor, or any other team manager involving in auditing within the bank; (iv) a member of the fiscal council of the bank; or (v) spouses or cousins up to second degree of individuals mentioned in items (i) through (iv) above. In addition the members of the audit committee of publicly held banks are forbidden to receive any compensation by the bank or its affiliates in addition to their payment as members of the audit committee. If the member of the audit committee of the bank or its affiliates is also a member of the board of directors of the bank or its affiliates, he/she will be paid a compensation relative to one position only, at his/her choice. Some of the main functions of the audit committee are to:

- appoint independent auditors to be elected by the board of directors;

- supervise the work of the independent auditors;

- request the replacement of the independent auditors;

- review the semi-annual and annual financial statements, and the management and independent auditor's reports;

- supervise the accounting and auditing of the financial institution, including compliance with internal procedures and applicable legislation;

- evaluate the implementation of the independent auditors' recommendations by the management of the financial institution;

- receive and disseminate information regarding any non-compliance with internal procedures or applicable legislation;

- instruct managers regarding internal controls and procedures to be adopted;
- meet with managers, independent auditors and internal accountants to check the implementation of recommendations made by the audit committee;
- prepare a report with the information gathered by it and keep it available to the Central Bank and the financial institution's board of directors; and
- publish, together with the financial statements, a summary of the audit committee's report.

In addition, Brazilian law permits the creation of a single audit committee for a group of companies. In this case, the audit committee will be in charge of each institution belonging to the same group. Independent auditors and the audit committee must inform the Central Bank, within three business days of the relevant identification, of the existence or evidence of error or fraud represented by:

- non-compliance with rules and regulations that may affect the continuation of the audited company;
- any type of fraud by the bank's management;
- significant fraud by the bank's employees or third parties; or
- errors resulting in significant mistakes in the company's financial statements.

Internal Compliance Procedures

All financial institutions must maintain internal policies to control their activities, their financial, transactional and management information systems, as well as ensure compliance with applicable laws and regulations.

The executive officers of the financial institution are responsible for the implementation of a system of internal control, by defining procedures and responsibilities, and by setting goals for each internal division of the financial institutions. The executive officers are also responsible for monitoring the compliance with such internal policies.

Internal accountants or independent auditors are responsible for monitoring the internal control systems, and must report directly to the board of directors.

Transactions with Affiliates

Law No. 7,492, dated June 16, 1986, provides, among other things, for criminal offenses against the Brazilian financial system. This law defines as a crime the extension of credit by a financial institution to any entity controlled, directly or indirectly, by such financial institution or which is subject to common control with such financial institution and is punishable by two to six years' imprisonment and a fine. On September 30, 1993, the CMN issued Resolution No. 1,996, which requires any such transaction to be reported to the Attorney General's office. Law No. 6,099, dated September 12, 1974, and CMN Resolution No. 2,309, dated August 28, 1996, as amended, set forth that a bank and its lease subsidiary may enter into a credit transaction.

Anti-Money Laundering Laws

On July 24, 2009, the Central Bank issued Circular No. 3,461, or Circular No. 3,461, which consolidated the procedures to be complied with by financial institutions in order to prevent the crimes set forth in the Money Laundering Law, or Money Laundering Crimes. Circular No. 3,461, as amended, sets forth requirements to be complied with by financial institutions related to (i) internal policies and controls systems, (ii) record of customer information, (iii) record of financial services and transactions, (iv) record of checks and transfer of funds, (v) record of prepaid cards, (vi) record of handling of resources in excess of R$100,000, and (vii) report of material information to the Council for Financial Activities Control (*Conselho de Controle de Atividades Financeiras*), or COAF.

Internal Policies and Controls Systems

Financial institutions shall develop and implement internal policies and control systems that: (i) indentify the responsibilities of the members of each of the hierarchical levels of the financial institutions; (ii) contemplate collection and registration of information systems that shall enable the identification of transactions that may constitute a money laundering crime in a timely manner; (iii) define criteria and proceedings for the selection and training of the employees of financial institutions, as well for monitoring their economic and financial conditions; and (iv) reflect the necessity of previous analysis of new products aiming at preventing the money laundering crimes. In addition, such internal policies and control systems shall encompass measures that shall enable financial institutions to (i) confirm the costumer identification; (ii) indentify the final beneficiary of the transactions; and (iii) indentify politically exposed persons.

According to Article 4 of Circular No. 3,461 of July 24, 2009, a politically exposed person is an individual who performs or has performed, in the last 5 years, relevant public positions, jobs or functions, in Brazil or in other countries, territories and foreign dependencies, as well as their representatives, relatives and other people closely related to him. Circular No. 3,461 of July 24, 2009, provides for further details to be complied with by financial institutions with respect to the identification of a politically exposed person.

Record of Customer Information

The identification of individuals and legal entities must be recorded in a regularly updated customer information file, at least on an annual basis, pursuant to Circular No. 3,461. All files may be stored either physically or electronically. Circular No. 3,461 provides for different levels of record requirements by financial institutions depending on the type of relationship maintained with the costumer, whether on an occasional or on a permanent basis.

Record of Financial Services and Transactions

Financial institutions must record all the financial services rendered to or financial transactions entered into with their customers. The information about the financial services shall be recorded in order to enable them to identify: (i) if the relevant resources are compatible with the financial and economic conditions of the customer; (ii) the origin of the resources; and (iii) the ultimate beneficiary of the resources. The record system of financial transactions must enable the identification of (i) transactions conducted by a person, group of persons or corporate group, separately or jointly, in excess of R$10,000 per month; and (ii) transactions that may constitute, in view of their frequency, amount or structure, a way to avoid the identification, control and record mechanisms of the financial institutions.

Record of Checks and Transfer of Funds

The information about checks and transfers of funds must be recorded in order to enable the financial institutions to identify: (i) transactions involving receipt of deposits by virtue of electronic transfer of amounts, wire transfer, check, bank check and other documents with equivalent nature, as well as set off checks deposited in other financial institutions; and (ii) transactions involving the issuance of checks and bank checks, wire transfer, electronic transfer of amounts and document of credit in excess of R$1,000.

Record of Prepaid Cards

Financial institutions shall record information about cards with a function to receive charge or recharge of amounts, in national or foreign currencies, as a result of a payment in cash, a foreign exchange transaction or any other transfer of deposit accounts. Such registration system shall enable the identification of the following events: (i) the issuance or recharge of values, in one or more prepaid cards, in amounts of or in excess of R$100,000, or any equivalent amounts in other currencies, per month; and (ii) the issuance or recharge of values in prepaid cards that may evidence, conceal or disguise the true nature, origin, location, disposition, movement, or ownership of assets, rights and valuables.

Record of Handling of Resources in Excess of R$100,000

Financial institutions must record any information about deposits in cash, withdrawals in cash, withdrawals in cash by means of prepaid cards and request of withdrawal provisioning in order to enable the identification of: (i) deposits in cash, withdrawals in cash, withdrawals in cash by means of prepaid cards and request of withdrawal provisioning in amount of or in excess of R$100,000; (ii) deposits in cash, withdrawals in cash, withdrawals in cash by means of prepaid cards and request of withdrawal provisioning that may evidence

conceal or disguise the true nature, origin, location, disposition, movement, or ownership of assets, rights and valuables; and (iii) issuance of bank check, electronic transfer of amounts or any other instrument of transfer of funds that comprises payment in cash in amounts of or in excess of R$100,000.

Report of Material Information to COAF

Financial institutions must report to COAF, without the knowledge of the relevant client, the occurrence of the following events or proposals leading to such events:

- the issuance or recharge of values, in one or more prepaid cards, in amounts of or in excess of R$100,000, or any equivalent amounts in other currencies, per month; and
- deposits in cash, withdrawal in cash, withdrawal in cash by means of prepaid cards and request of withdrawal provisioning in amount of or in excess of R$100,000.

Additionally, the financial institutions shall report to COAF the occurrence of the following events or proposals leading to such events:

- transactions or services (i) in amounts of or in excess of R$10,000; and (ii) that may evidence the existence of the Money Laundering Crimes in view of the parties thereto, their structure and lack of legal and economic support;
- transactions and services that may constitute, in view of their frequency, amount or structure, a way to avoid the identification, control and record mechanisms of the financial institutions;
- transactions of and services rendered to any person that has perpetrated or intended to perpetrate terrorist acts, or that has participated on or facilitated the perpetration of such acts, as well as the existence of resources owned by such person or, otherwise, directly or indirectly controlled by him; and
- acts that may constitute terrorism financing.

The records referred to above must be kept for at least five years or ten years depending on the information.

Failure to comply with any of the obligations indicated above shall subject the financial institution and its officers and directors to penalties that vary from the application of fines (between 1% and 100% of the transaction amount or 200% over any profit generated by the same), to the declaration of its officers and directors as ineligible to exercise any position at a financial institution and/or the cancellation of the financial institution's operating license. The Money Laundering Law establishes that employees are subject to criminal penalties if they facilitate or participate in money laundering activities. According to article 1, paragraph 2, I, of the Money Laundering Law, the same penalty (imprisonment for 3 to 10 years, plus fine) applies to a person who uses, in the economic or financial activity, assets, right or valuables, knowing that they originate from any of the Money Laundering Crimes listed therein.

Bank Secrecy

Brazilian financial institutions are also subject to strict bank confidentiality regulations. The only circumstances in which information about clients, services or operations of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) the disclosure of information with the express consent of the interested parties; (ii) the exchange of information between financial institutions for record purposes; (iii) the supply of information to credit rating agencies based on records of customers issuing checks against insufficient funds and defaulting debtors; and (iv) as to the occurrence or suspicion that criminal or administrative illegal acts have been performed, financial institutions and the credit card companies may provide the competent authorities with information relating to such criminal acts. Supplementary Law No. 105 enacted on January 10, 2001 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities, provided that a specific treaty in that respect has previously been executed.

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. Certain exceptions apply to this obligation, however, such as the sharing of information on credit history, criminal activity and violation of bank regulations or disclosure of information authorized by

interested parties, as discussed above. Bank secrecy may also be breached when necessary for the investigation of any illegal act.

The government and auditors from the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances.

Tax Evasion

Information protected by banking secrecy may only be disclosed by an order of a competent court or a parliamentary committee of enquiry (*Comissão Parlamentar de Inquérito*). However, the Central Bank may, without judicial authorization, require financial institutions to provide information that is usually protected by banking confidentiality during the exercise of its regulatory activities, including the investigation of any unlawful act committed by any director, administrator, counselor or manager of a financial institution, as long as the Central Bank has strong circumstantial evidence that any such persons has engaged in tax evasion. In addition, banking confidentiality may not hinder tax authorities in the investigation of tax evasion. Such evidence includes, among other things:

- a statement by the client detailing transactions below market value;
- credits acquired from sources outside the Brazilian financial system;
- transactions involving "tax havens;"
- expenses or investments that exceed the amount of the declared available income;
- remittances of currency abroad, using non-resident accounts in amounts that exceed the income declared to the appropriate authority; and
- companies whose registration with the CNPJ has been made null or cancelled.

Further, pursuant to Normative Ruling No. 811/2008 of the Brazilian Internal Revenue Service, as amended, financial institutions must provide certain information related to transactions carried out in Brazil through a Statement of Information on Financial Transactions (*Declaração de Informações sobre Movimentação Financeira*). These transactions include time and demand deposits, payments in currency or checks and issuances of credit orders or related documents, among others.

Intervention, Administrative Liquidation and Bankruptcy

General

The Central Bank may intervene in the operations of financial institutions not controlled by the Brazilian Government, in the presence of material risk to creditors or where the institution repeatedly violates the applicable regulations. The Central Bank may also intervene where liquidation can be prevented, to facilitate administrative liquidation or, in some cases, order the bankruptcy of any financial institution, except those controlled by the Brazilian Government. For more information, see "Risk Factors—Risks Relating to the Notes—The holders of notes may not have the remedy of instituting bankruptcy proceedings if there has been a payment default on the notes. The remedies of holders of notes if we breach other provisions of the notes may be even more limited."

The Special Temporary Management Regime (RAET)

RAET is directed at enabling the economic and financial recovery and the reorganization of a financial institution without interfering with the regular course of business, rights or obligations of the institution. The RAET may be imposed by the Central Bank when the private financial institutions or the non-federal public financial institutions show:

- repeated practice of transactions that are contrary to federal economic and financial policy;
- failure to observe rules relating to the banking reserves account;
- reckless or fraudulent management;

- lack of assets; or
- the occurrence of any situation or transactions requiring intervention.

The main object of the RAET is to assist with the recovery of the financial conditions of the institution under special administration and thereby avoid intervention, liquidation and/or bankruptcy. Therefore, the RAET does not affect the day to day business operations, liabilities or rights of the financial institution, which continues to operate in its ordinary course.

There is no minimum period for RAET, which could cease after any of the following events: (i) acquisition by the Brazilian Government of controlling ownership interest in the financial institution; (ii) corporate restructuring, merger, spin off or transfer of shareholding control of financial institution; (iii) the Central Bank's decision; or (iv) declaration of extrajudicial liquidation of the financial institution.

Intervention

Private and non-federal public financial institutions are subject to the proceedings established by Law No. 6,024, dated March 13, 1974, which sets out the provisions applicable in the event of intervention or administrative liquidation. Intervention and administrative liquidation will occur if the financial institution frequently violates applicable regulations or when the Central Bank determines that the financial institution is in a dire financial condition so as to potentially affect the position of their creditors. Intervention may also occur by a duly justified request of the financial institution's officers (where its bylaws delegate them such authority).

The Central Bank must intervene in the management of any financial institution that:

- suffers losses as a result of mismanagement which may represent a risk to its creditors;
- repeatedly violates rules of the financial system; or
- faces circumstances that could result in its bankruptcy.

Intervention may not exceed 12 months, being a six-month period renewable for another six-month period upon decision of the Central Bank. During the intervention period, the institution's liabilities for overdue obligations, unmatured obligations incurred prior to the intervention, and also for deposits, are suspended. The intervention proceedings will be terminated if any of the following occurs: (i) if the Central Bank determines that the irregularities that triggered intervention have been eliminated; (ii) if the parties concerned resume administration of the financial institution after having provided the necessary guarantees with the approval of the Central Bank; or (iii) upon the declaration of the financial institution's extra-judicial liquidation or bankruptcy. The Central Bank may liquidate the financial institution or authorize the manager appointed by the Central Bank to file for bankruptcy following the report or proposal of such manager if the assets of the financial institution are insufficient to pay at least 50% of the amount of its unsecured outstanding debts, or when an extra-judicial liquidation is deemed inconvenient, or otherwise, when the complexity of the business of the institution or the impact of the facts disclosed justify such action.

Extra-judicial Liquidation

Extra-judicial liquidation of a financial institution (other than financial institutions controlled by the Brazilian Government, such as ourselves) can be accomplished by the Central Bank (Law No. 6,024/74), provided that:

- The debts of the financial institution are not being paid when due;
- The financial institution has incurred losses that could unusually increase the risk exposure of unsecured creditors;
- The management of the financial institution has been materially breaching Brazilian banking laws or regulations;
- The financial institution does not start its ordinary liquidation within 90 days as of the revocation of its authorization to operate, or if started, Central Bank determines that the management's lethargy may result in losses to creditors; or

- The liquidation process can also be commenced by request of the financial institution's officers (where its bylaws delegate them such authority) or as proposed by the interventor, as properly justified.

Extra-judicial proceedings of liquidation may cease:

- At the discretion of the Central Bank, if the parties involved undertake to manage the financial institution, providing the necessary guarantees;
- When the final accounts of the liquidator are processed and approved, and subsequently, filed with the relevant public registry;
- When converted into an ordinary liquidation; or
- When the financial institution is adjudicated bankrupt.

Bankruptcy Law

Law No. 6,024 of March 13, 1974, as amended, and Decree-Law No. 2,321 of February 25, 1987, as amended, empower the Central Bank to extra judicially intervene in the operations or to liquidate financial institutions owned by the private sector or Brazilian state governments (but not of the Brazilian Government). Furthermore, according to Law No. 11,101 of February 9, 2005, mixed-capital companies (*sociedades de economia mista*) (financial institutions such as us) are not subject to judicial and extrajudicial reorganization and bankruptcy proceedings. As a result, our creditors, including holders of notes, cannot take advantage of the remedies contemplated by Law No. 11,101 against us, including petitioning for our winding-up, liquidation or dissolution. For further information see "Risk Factors—The ability to institute bankruptcy proceedings against us may be limited by Brazilian law."

Repayment of Creditors in Liquidation

In case of the bankruptcy or liquidation of a financial institution, certain credits, such as credits for salaries up to 150 minimum wages (*salários mínimos*) per employee or former employee, among others, will have preference over any other credits.

As a deposit insurance system, FGC guarantees a maximum amount of R$70,000 of deposits and credit instruments held by an individual against a financial institution (or against financial institutions of the same financial group). FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with customer deposits. The payment of unsecured credit and customer deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

Taxation of Financial Transactions

Financial transactions in Brazil are generally subject to income tax and to tax on financial transactions, or IOF, in addition to the regular corporate income taxes and other social contributions at the level of the Brazilian legal entity making the investment.

The income tax assessed on the income deriving from financial transactions by Brazilian residents generally depends on: (i) the type of investment (fixed or variable income, as defined by Brazilian law, with 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, as a general rule, considered for Brazilian legal entities as an advance payment of the corporate income tax due by them and (b) is definite 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 favorable 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). An Executive Decree increasing the IOF rate would take effect from its publication date, with no retroactive effects.

Pursuant to Decree No. 6,306 of December 14, 2007, as amended, or Decree No. 6,306, foreign exchange transactions are subject to the IOF, or IOF/*Câmbio*. Under the IOF regulations currently in force, the Minister of Finance is empowered to establish the applicable IOF/*Câmbio* rate. Such IOF/*Câmbio* rate can be increased at any time up to 25%, with no retroactive effects. Decree No. 6,306 sets out that the current general IOF rate is 0.38%, with certain exceptions, such as:

(i) Foreign exchange transactions for the inflow of funds, contracted as of April 7, 2011, in connection with international loans, subject to registration before the Central Bank, contracted either directly or through the issuance of notes in the international market, with a minimum average term not exceeding 720 days, which are subject to the IOF/*Câmbio* at a 6% rate;

(ii) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards, in which case the IOF/*Câmbio* rate is 6.38% of the amount of the transaction;

(iii) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards by the Brazilian Government, states, municipalities, the federal district, as well as their foundations and agencies, in which case the IOF/*Câmbio* rate is 0%;

(iv) foreign exchange transactions for the inflow of funds related to the export of goods and services, in which case the IOF/*Câmbio* 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 IOF/*Câmbio* rate is 0%;

(vi) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial and capital markets in accordance with the rules set forth by the CMN, in which case the respective IOF/*Câmbio* rates are: (i) 0% in the case of foreign exchange transactions contracted as of December 1, 2011 for investment in variable income securities in the Brazilian stock, futures or commodities exchanges, or related to equity investments from public offerings, except investments in derivative instruments that grant a fixed income, the acquisition of quotas of private equity funds (*fundos de investimentos em participações),* investment funds on emerging companies (*fundos mútuos de investimento em empresas emergentes*), quota investment funds on mentioned funds (*fundos de investimento em cotas dos referidos fundos*), inflow of funds into Brazil arising from the cancellation of depositary receipts and the conversion of investments governed by Law No. 4,131 into investments governed by CMN Resolution 2,689, and investments in long term private debt instruments outlined in articles 1 and 3 of Law 12,431/11; and (ii) 6.0% in the case of other investments in Brazilian financial and capital markets, such as fixed income investments (Brazilian Government bonds etc.), and transactions related to the constitution of initial or additional guarantee margins in the Brazilian stock, futures or commodities exchanges;

(vii) foreign exchange transactions for the return of the investments mentioned in item (vi) above, in which case the IOF/*Câmbio* rate is 0%;

(viii) foreign exchange transactions for the remittance of interest on net equity and dividends earned by foreign investors, in which case the IOF/*Câmbio* rate is 0%;

(ix) foreign exchange transactions performed between financial institutions in interbank currency exchange transactions, in which case the IOF/*Câmbio* rate is 0%;

(x) foreign exchange transactions made by international air transportation companies, domiciled abroad, for purposes of remitting resources derived from their local revenues, in which case the IOF/*Câmbio* rate is 0%;

(xi) foreign exchange transactions for the inflow of funds to cover expenses incurred in the country with credit cards issued abroad, in which case the IOF/*Câmbio* rate is 0%;

(xii) foreign exchange transactions related to the acquisition of foreign currency by financial institutions simultaneously contracted with a foreign currency sale transaction, as required by regulatory provisions in which case the IOF/*Câmbio* rate is 0%, except for some of the transactions mentioned in item (vi) above; and

(xiii) foreign exchange transactions for the inflow and outflow of funds related to foreign credits, except for those mentioned in item (i) above, in which case the IOF/*Câmbio* rate is 0%.

The IOF tax may also be levied on transactions involving bonds or securities, including transactions carried out on Brazilian stock, futures or commodities exchanges, or IOF/*Títulos*. Currently, IOF/*Títulos* is assessed on transactions consisting of the acquisition, assignment, repurchase or renewal of fixed-income investments or the redemption of bonds and securities. The maximum rate of IOF/*Títulos* payable in such cases is 1.0% per day and decreases with the length of the transaction, reaching 0% for transactions with maturities of at least 30 days. 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, but only to the extent of the gain realized on the transaction and only from the date of its increase or creation. Decree No. 7,536, dated July 26, 2011, as amended by Decree No. 7,563, dated September 15, 2011, and Normative Ruling 1,207, dated November 4th 2011, established the assessment of *IOF/Títulos* at the rate of 1% on the adjusted notional value at the purchase, sale or maturity of financial derivative contracts the settlement of which is affected by foreign exchange fluctuation, which individually results in an increase in the long currency position or in a reduction in the short currency position. Additionally, the rate for the following types of transactions is currently 0%:

(i) transactions carried out by financial institutions and other institutions chartered by the Central Bank as principals, not including consortium managers provided by Law No. 11,795, dated October 8, 2008;

(ii) transactions carried out by mutual funds or investment pools themselves;

(iii) transactions involving variable income, including those performed in stock, futures and commodities exchanges and similar entities;

(iv) redemptions of shares in equity funds as defined by income tax legislation;

(v) transactions with agribusiness receivables (*Certificado de Direitos Creditórios do Agronegócio – CDCA, Letra de Crédito do Agronegócio - LCA,* and *Certificado de Recebíveis do Agronegócio – CRA*) provided by section 23 of Law No. 11,076, dated December 30, 2004;

(vi) transactions with debentures provided by section 52 of Law No. 6,404, dated December 15, 1976, with real estate receivables (*Certificados de Recebíveis Imobiliários*) provided by section 6 of Law No. 9,514, dated November 20, 1997, as well as transactions with those bonds (*Letras Financeiras*) provided by section 37 of Law No. 12,249, dated June 11, 2010;

(vii) other transactions with bonds and securities, including the redemption of shares of the so-called *Fundo de Aposentadoria Programada Individual – FAPI*, which was created by Law No. 9,477, dated July 24, 1997; and

(viii) transactions involving derivatives contracts not related to currency exchange.

IOF also applies to credit transactions, or IOF/*Crédito*, except for foreign credit in which the creditor is domiciled outside Brazil, in which case IOF/*Câmbio* will apply. IOF/*Crédito* levied on credit transactions is usually assessed at a daily rate of 0.0041% (if the debtor is a legal entity) or 0.0068% (if the debtor is an individual), up to a limit of 365 days. Additionally, an IOF/*Crédito* surtax of 0.38% is currently applicable to most of the credit transactions, regardless of the term for the transaction maturing. Additionally, IOF tax is levied, among other things, on the payment of premium in connection with insurance transactions, or IOF/*Seguro*, at a rate of: (i) 0% in reinsurance, insurance on export credits or on international transport of goods and life insurance plans with coverage for survival; (ii) 0.38% of premiums related to life insurance plans without coverage for survival, among others; (iii) 2.38% in the case of private health insurance; and (iv) 7.38% for other types of insurance. Rural insurance, among certain other specific insurance transactions, is exempt from IOF.

Taxation of Brazilian Corporations

Brazilian corporate 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. 11,727/2008, as of June 23, 2008.

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 at 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 taxable 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 paid by Brazilian legal entities and deriving from profits generated as from January 1, 1996 out of after-tax profits 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 of December 26, 1995, as amended, allows a corporation to deduct from its net profits for corporate income taxes purposes any interest paid to shareholders as remuneration of the shareholders' equity called "interest on net equity" or "interest on shareholder's capital."

These 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 long-term interest rate – TJLP, as determined by the Central Bank from time to time, and cannot exceed the greater of:

(i) 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

(ii) 50% of the sum of retained profits and profits reserves as at 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, as defined by Brazilian tax law. 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 *Programa de Integração Social*, or PIS and *Contribuição para Financiamento de Seguridade Social*, or COFINS.

Since September 2003, the PIS and COFINS have been imposed on financial institutions' gross revenues at a combined rate of 4.65%, but some specific costs, such as funding cost, are authorized to be deducted from the PIS and COFINS taxable bases. Nonetheless, certain revenues, such as dividends, equity pick-up, revenues from the sale of fixed assets and export revenues paid in foreign currency with the inflow of funds to Brazil are not included in the taxable basis for PIS and COFINS.

BUSINESS

Overview

We are a Brazilian multiple-service bank founded in 1928 and controlled by the State of Rio Grande do Sul, which owns 56.97% of our 408.97 million total shares and 99.59% of our 205.0 million voting shares. As of September 30, 2011, we were one of the three most profitable of the 20 largest Brazilian banks (based on total assets) in terms of return on shareholders' equity, according to the Central Bank data. With over 440 branches, 279 banking service stations (stations located in government or private corporate buildings and are designed to provide all banking services for such governmental or private entity) and 553 electronic service stations (self-service stations linked to our banks, as opposed to a business), we believe that we have the largest banking network in the State of Rio Grande do Sul according to Central Bank, and we believe that we have the largest customer base of any bank operating in that state. As of September 30, 2011, according to the Central Bank, we were the 11th largest Brazilian bank in terms of total assets, the 3rd largest Brazilian public financial institution in terms of total assets, the 8th largest Brazilian bank in terms of total deposits, and the 11th largest financial institution in terms of shareholders' equity.

We focus our banking services on the needs of retail customers, small- and medium-sized companies and public sector entities. We offer a wide range of financial products and services such as: (i) personal loans (consumer loans extended directly to individuals and payroll-deduction loans); (ii) real estate loans; (iii) long-term financing (using our funds and funding from other government institutions); (iv) lines of credit for the agricultural and cattle-raising sectors; (v) general business lines of credit; (vi) savings deposits, demand deposits and time deposits; and (vii) asset management for third-party funds. We are focused on our payroll-deduction loans and real estate financing, as we believe payroll-deduction loans are low risk and high margin products, and real estate financing offers numerous opportunities for cross-selling and building a loyal customer base. Payroll-deduction loans (loans made to state and other public sector employees and repaid through salary deductions) and real estate financing comprise our main lending activities and represent the two classes of credit activities that grew the most in Brazil in 2009 and 2010 (at rates of 175% and 45%, respectively), according to the Central Bank.

Our operations are concentrated in southern Brazil, particularly in the State of Rio Grande do Sul, which accounted for 6.52% of Brazil's GDP as of December 31, 2010, according to the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE. In addition, as of December 31, 2010, the State of Rio Grande do Sul had a per capita income that exceeds the national average by 15%, according to the Economics and Statistics Foundation (*Fundação de Economia e Estatística*), or FEE, and the IBGE. We provide banking services in 414 of Rio Grande do Sul's 496 municipalities. We have over 2.6 million account holders with approximately 4.8 million demand and savings accounts throughout Rio Grande do Sul.

The State of Rio Grande do Sul is our controlling shareholder, and we are its sole official and principal financial agent. By state law, we are given the responsibility for the receipt of state tax payments and the transfer of a portion of these collected taxes to the state's municipalities. Additionally, we act as a paying agent to the state's goods and services suppliers, as well as to active and retired public servants, pursuant to an agreement between us and the state government. By state law, we are responsible for collecting the *Imposto Sobre Circulação de Mercadorias e Prestação de Serviços* (Value Added Tax on Goods and Services, or ICMS tax), and for the transfer of these tax revenues to the municipalities of Rio Grande do Sul.

In 1998, we created Banricompras, a debt card service which 2.6 million of our customers use to pay for their purchases in installments at approximately 97,976 affiliated stores. Through this system we can integrate our individual and corporate clients and cultivate customer loyalty. On October 6, 2011, Banricompras announced that it would offer Visa card services, including credit, debt and pre-payment cards. As of September 30, 2011, approximately 56 million transactions totaling approximately R$3.9 billion were made using this system.

The tables below set forth our principal operational and financial indicators as of the dates and for the periods indicated.

	As of and for nine-month period ended September 30,		As of and for year ended December 31,		
	2011	2010	2010	2009	2008
	(in R$ million, except percentages, number of clients and number of service centers)				
Total assets	36,554	32,339	32,128	29,084	25,205
Loan portfolio[1]	19,655	16,237	17,033	13,414	11,454
Managed funds[2]	6,595	6,141	6,038	5,532	4,802
Funding[3]	30,109	26,779	26,611	24,206	20,693
Deposits	20,910	17,954	19,053	16,370	14,256
Shareholders' equity	4,298	3,746	3,855	3,409	3,079
Basel Index[4]	15.91%	15.82%	16.07%	18.08%	20.70%
Net income	678	511	741	541	591
Gross income from financial operations[5]	1,997	1,736	2,396	2,120	1,722
Other operating income	200	128	209	144	193
Efficiency index[6]	44.20%	48.79%	47.76%	52.01%	56.75%
Return on average assets (ROAA)[7]	1.97%	1.67%	2.42%	2.00%	2.60%
Return on average Shareholders' equity (ROAE)[8]	16.62%	14.29%	20.40%	16.68%	20.13%
Number of clients (in millions)[9]	2,620	2,645	2,597	2,435	2,970
Service centers[10]	719	717	715	710	717

(1) Includes lending operations, lease and other credit transactions, including foreign exchange transactions.
(2) The management of third party funds through investment funds and managed funds.
(3) Includes deposits, money market funding, interbank and interbranch accounts, borrowings and onlendings, derivatives and the Reserve Fund for Judicial Deposits (*Fundo de Reserva de Depósitos Judiciais*), or FRDJ.
(4) The Basel ratio is the ratio of capital base (*Patrimônio de Referência*) and the weighted risk. It is calculated by dividing the adjusted net assets by the weighted risk (as determined by Central Bank regulations). See "Regulation of the Brazilian Banking Industry—Limitations and Restrictions on Financial Institutions—Regulatory Capital and Shareholders' Equity Standards."
(5) This is total income from financial intermediation minus total expenses from financial intermediation, i.e. the banking results (resulting from the revenues of the banking products offset by the financial costs associated with the provision of credit).
(6) The Efficiency index is computed as the proportion, expressed as a percentage, between (i) the sum of personnel expenses and other administrative expenses and (ii) the sum of gross income from financial operations before the allowance for loan losses, income from services rendered, bank fees income and our other income/expenses. The Efficiency index is not defined under Brazilian GAAP or other regulations, and it does not have a standardized definition. Our definition of the Efficiency index may not be comparable to the Efficiency index used by other banks. The Efficiency index is used by our management to measure our operational performance.
(7) Return on average assets is calculated as net income earned during the accounting period divided by our average assets (which is an average of the value of our assets as of September 30, 2011 plus the value of our assets as of December 31, 2010), and in 2008, 2009 and 2010 average assets were determined by finding the sum of (i) the assets as of December in the previous year and (i) the assets as of December in the current year and dividing the total by two.
(8) Return on average equity is calculated as net income earned during the accounting period divided by our average equity (which is an average of the value of our equity of September 30, 2011 plus the value of our equity as of December 31, 2010), and in 2008, 2009 and 2010 average assets were determined by finding the sum of (i) the equity as of December in the previous year and (i) the equity as of December in the current year and dividing the total by two.
(9) Total clients – individuals and corporations.
(10) This includes the number of branches and officers.

Our Strengths

We believe our principal strengths are:

Solid record of profitability and low cost and stable funding

Over the past four years, we were among Brazil's most profitable banks in terms of return on shareholders' equity according to the Central Bank. As of September 30, 2011, our return on average shareholders' equity measured in terms of total assets was 22.8%, which was higher than the average of 22.4% for the 20 largest Brazilian banks, according to the Central Bank.

Our funding sources mainly include time, savings and demand deposits the majority of which are provided by our retail customers (individuals and corporations) rather than our institutional investors. Our policies are designed to attract small and medium sized clients, reduce financial costs and diversify our funding sources. Unlike most of the similarly sized banks, we have diverse funding sources that allow us to obtain funding at competitive costs without relying on institutional investors. Additionally, because we obtain funding from a variety of sources, we are less exposed to a potential decrease in any type of funding.

A service network with potential to generate new business and flexibility to expand our loan portfolio and explore new or under-served niche markets

We have access to a broad and diversified customer base (including individuals and corporations, especially micro-, small- and medium-size companies) through our service and Banricompras networks. Through Banricompras, our customers conducted 56 million transactions, totaling R$3,909 million, for the nine-month period ended September 30, 2011. These figures represent a 9.67% increase in the number of transactions performed and a 15.66% increase in total transaction volume compared with the nine-month period ended September 30, 2010. Part of our business strategy is to strengthen the Banricompras Network, increasing the number of merchant stores affiliated with Banricompras and providing shop owners and customers with various payment options.

This access to a broad customer base enables us to generate new business and provides us with an opportunity to cross-sell our products and services. Through our real estate financing, we have been able to establish a loyal customer base which is engaged in making payments throughout the length of the mortgage. We are able to use this relationship to provide other products and services to our customer base, which is already familiar with and is already a client of our products and services, including our credit cards, insurance, private pension plans and other credit lines. It also provides us with a competitive advantage by positioning us to take advantage of Brazil's economic growth and increased demand for credit in the State of Rio Grande do Sul. For the six-month period ended June 30, 2011, the State's GDP had increased by 6.7% when compared to the same period ended June 30, 2010, which was higher than the 4.0% increase in the country's GDP. Rio Grande do Sul has a strong export industry, and the State's growth partially reflects the dynamic global economy. Rio Grande do Sul has also seen increased investments in infrastructure, such as road construction, development of alternative energy sources and technological development, among others. We believe that these increases in investments signal favorable prospects for the future development of the region. The region continues to exhibit strong results in the agricultural sector, including increases in productivity and continued favorable climatic conditions.

The Brazilian banking industry has grown significantly in recent years, as evidenced by the increased volume of lending transactions (the compounded annual growth rate, or CAGR, of which was 19.1% in Brazil from 2008 to 2010) and personal loans (the CAGR of which was 20.8% during the same period), according to the Central Bank. This growth trend has continued during the third quarter of 2011, with a CAGR in Brazil for lending transactions and personal loans reaching 11.7% and 11.2%, respectively.

Strong presence and brand recognition in Brazil's southern region, especially in Rio Grande do Sul

Our operations are focused in Brazil's southern region, particularly the State of Rio Grande do Sul. In 2010, Rio Grande do Sul had Brazil's fourth-largest GDP among all Brazilian states and a per capita income that was 15.0% higher than the national average, according to the FEE and IBGE. We are present in 414 of the state's 496 municipalities. The brand "Banrisul" is widely recognized among the state's population, and according to the "Top of Mind 2011" study conducted by Revista Amanhã, we are the most remembered bank in Rio Grande do Sul. Our brand recognition, combined with our strong presence throughout the state, makes us well-positioned to compete with other financial institutions operating in the state.

Strong financial performance evidenced by the quality of our assets

As of September 30, 2011, 2.88% of the total amount of loans in our outstanding loan portfolio was past-due. This ratio was considerably lower than the average of 5.5% in the Brazilian banking market as of September 30, 2011, according to the Central Bank. We believe that this indicator is the result of our conservative lending policies, efficient credit approval and monitoring systems coupled with our knowledge of the Rio Grande do Sul market. Furthermore, our solid financial performance is also evidenced by our ratio of allowance for loan losses to outstanding loan portfolio (6.5% as of September 30, 2011) which, according to the Central Bank, was higher than the 5.6% average for the Brazilian banking sector as of that date.

Solid relationship with State governmental entities

We are the sole official bank and principal financial agent of the State of Rio Grande do Sul, our controlling shareholder, which directly and indirectly holds 56.97% of our total capital stock (99.59% of our total voting capital stock). By law and contract, we are responsible for the collection of taxes, transfer of state funds and the administration of payments to state public servants, retirees and suppliers. We also provide services to state governmental entities, as well as to the majority of Rio Grande do Sul's municipal

governments. Services provided to these entities also include tax collection, fund transfers among municipalities and government and supplier payroll administration.

We believe that we have an excellent relationship with the public sector in Rio Grande do Sul. This relationship is a competitive advantage to conduct our activities in the state and our access to both active and retired government employees. It also allows us to expand our payroll-deduction loan portfolio, which is made up of loans to active and retired government employees and has a significantly lower average default rate compared with other types of personal loans. Furthermore, our broad network of branches and banking service stations reinforces our presence in and our relationship with the municipalities of Rio Grande do Sul.

Management model focused on results, accountability and a commitment to transparency and operational controls

We have developed a business model that is focused on measuring the profitability of each transaction thereby allowing us to enhance our overall profitability. This model establishes specific goals for our employees, each of our branches and our business as a whole. We aim to increase the profits derived from each of our clients by analyzing the impact of offering additional services to them. Under our business model, we emphasize the sale of products and services selected and approved by our Board. Additionally, we have an expenditure control model to improve our efficiency index, under which the Board creates our spending policies. The models are revised and reviewed every six months based on our results.

Each employee with responsibility for client services is aware of the goals we set and is encouraged to exceed them. Our employees' compensation is impacted by their ability to meet the goals that we set based upon the contribution margin, history and potential of each department's customers. In addition, each of these employees has regular access to performance evaluations. This system encourages employee productivity and allows us to evaluate each client service employee and each branch. Our management and supervision is centralized, resulting in more efficient control of our assets and liabilities.

In 2011, we created the Board of Risk and Control to further our risk management goals and to adhere to best market standards. We also have a Corporate Risk Unit which has assisted in the creation of more comprehensive risk management policies. We believe that these new groups will provide us with greater operational control and increased efficiency. For further information on our risk management policies and these groups, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Risk."

Our Strategies

We intend to employ the following strategies to seek to generate growth and enhance our profitability:

Accelerate the growth of our loan portfolio in a prudent and sustainable manner

We seek to expand our loan portfolio by taking advantage of our diversified sources of funding, the growth of the Brazilian banking sector and the increased use of banking services by low-income segments of the population. We expect to be able to continue to access funds at relatively low cost from our diversified funding sources in order to expand our loan portfolio.

The volume of lending activity in Brazil continues to increase as macroeconomic conditions improve and interest rates decrease. We intend to use our strategic position to take advantage of this trend, expanding our client base and our loan portfolio, especially payroll-deduction and real estate loans, to offset the reduction of our spreads, through a higher volume of lending operations. We have recently developed a credit line specifically for the acquisition, construction, renovation and expansion of residential and commercial properties.

We intend to continue managing our funding and lending activities in order to avoid any material disparity between our assets and liabilities. However, we do not believe that this management strategy will hinder our growth since our diversified funding sources provide us with the stability to maintain and expand our lending portfolio. Additionally, we intend to increase our lending of certain low-risk products, such as payroll-deduction loans (given that the default rates for payroll deductions are lower than most other credit products available to individuals) and real estate loans (in which transactions are secured by mortgages or the transfer of property deeds in trust). Additionally, both payroll deductions and real estate financing have a stable client base and present opportunities for cross-selling our products and services.

We have also partnered with MasterCard, Visa and VerdeCard, which we believe will increase access to our banking services and expand our customer base. We also have an agreement with the SafetyPay system for international purchases through Amazon.com. As customers sign up for our credit card products, we will be able to cross-sell our other products and services.

We have also begun to create more comprehensive client profiles, which allow us to create products catered towards our client needs. These profiles will allow us to focus on our most important clients in order to provide them a range of services that fit their needs. They will also allow us to cater our offerings and products to these clients in order to continue to increase our business. For example we plan to use these profiles to offer our Gold and Platinum credit cards to our high-income customers. We estimate that these new profiles will be fully implemented by the end of 2012.

Maintain our strong position in Rio Grande do Sul, and expand into the State of Santa Catarina and other states and municipalities in the southern region of Brazil and expand the range of products we offer

Rio Grande do Sul will remain the principal geographic focus of our activities. We have an extensive presence throughout the state, coupled with strong and widespread brand recognition, the support of the state government, and an ability to build on the services currently used by our clients in order to maximize revenues from our current client base. We will continue to increase customer access to our services through improved branches and points of services. We also plan to expand our corporate customer segment and the volume of commercial credit. In addition to expanding customer access to branches and points of service, we also plan to improve the quality of customer service we provide. We have begun training programs for our sales associates and managers to increase their knowledge of our products so that they may better serve our customers.

We are focusing on the expansion of the service network is in the southern region of Brazil. Currently, we plan to open 35 new branches in locations where Banrisul is already present and 21 new branches in new municipalities, and we plan to transform 48 service stations into full small size branches in the State of Rio Grande do Sul. We also plan to open seven new branches in the State of Santa Catarina.

We and MatoneInvest Holding S.A. recently entered into a memorandum of understanding to purchase 49.9% and 50.1%, respectively, of the shares of Bem-Vindo Promotora de Vendas e Serviços S.A., or Bem-Vindo, a private corporation headquartered in Rio de Janeiro which originates loans on behalf of Banco Original S.A. and provides payroll lending services. Bem-Vindo has 73 branches throughout Brazil, and we believe that this acquisition will allow us to nationally expand our distribution network.

We will continue to develop new products for both individuals and corporations that will allow us to increase and deepen our market share in existing niches, maximize synergies between new and existing services and increase our customer base. We also intend to identify, develop and distribute products in which we believe our customer base is interested, such as vehicle financing, as well as services for segments of the population that currently lack access to banking services.

Strengthen our relationship with state governmental agencies and consolidate our presence in the public sector

Given that our controlling shareholder is the State of Rio Grande do Sul, a significant part of our business strategy includes providing banking services and loans to state and municipal employees. These services generate revenue and also allow us to provide additional services to government employees, particularly payroll-deduction loans, other loans and other banking services. We currently have a credit card for public sector employees which we market through agreements with the State of Rio Grande do Sul, the State judiciary and the municipal governments by offering a variety of policies including reduced annual rates and increased benefits for using the Program Banriclube Advantage card. As a government-controlled bank, we expect to continue to strengthen and enhance our relationship with various public sector entities in Rio Grande do Sul.

Invest in technology to reduce costs, obtain economies of scale and promote productivity

From January 1, 2008 through December 31, 2010, we invested approximately R$569.6 million in technology, principally to modernize our computer hardware and software. These investments have allowed us to adapt our network to our new business model and expand our processing capacity. In addition, we have recently created a separate department for our information technology services to ensure that these investments will standardize processes, lower operating costs, generate greater economies of scale and ease in monitoring our operations and operational efficiency. Our capital expenditure budget provides for additional investments of

approximately R$528.8 million in information technology for the period from January 1, 2011 to December 31, 2013.

We have a successful track record in using information technology to develop new products. Examples of this strategy include our implementation of the Banricompras network, which offers banking services through mobile telephones to low-income individuals who have historically lacked access to the banking system. In addition, to ensure security and prevent and combat fraud in our Banricompras network and our other networks, Banrisul has agreements with third party service provides which contain policies, processes and procedures to standardize safety norms. We also mapped the entire Banricompras network in and effort to acquire the Payment Card Industry, or PCI, certification, which provides best practices for security in electronic payment transactions using debit and credit cards. We have made several improvements to the Web POS (Internet sales) system to ensure our high safety standards.

History

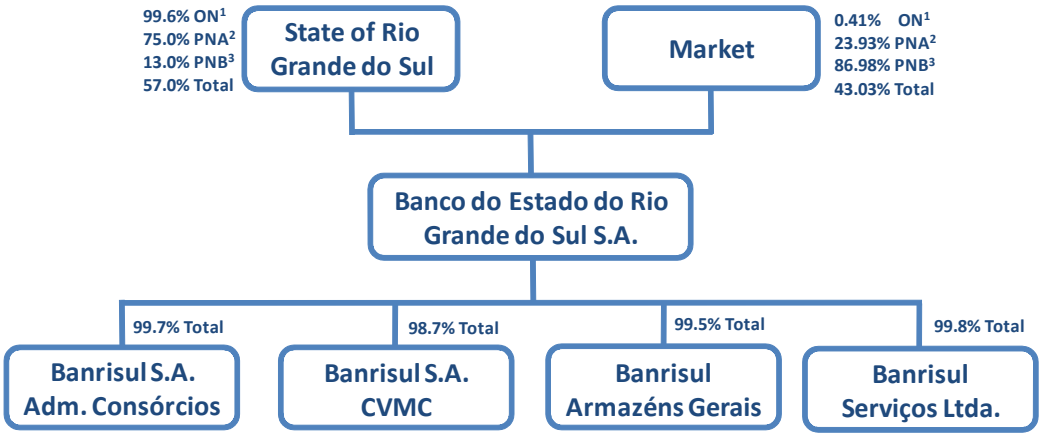
We were founded in 1928 as a public agricultural loan and mortgage bank. Our principal activity was long-term mortgage loans. In 1931, after taking over Banco Pelotense, we began collecting taxes on behalf of the State of Rio Grande do Sul. In 1934, we began expanding by opening branches in various cities around the state and taking over Banco Real de Pernambuco (1969), Banco Sul do Brasil (1970), Banco de Desenvolvimento do Estado do Rio Grande do Sul – BADESUL (1992) and Distribuidora de Títulos e Valores Mobiliários do Estado do Rio Grande do Sul (1992).

In March 1990, we became a multiple-service bank and began offering commercial and real estate loans, financing and investment services. In 1997, we absorbed the branches, clients and active accounts of the Caixa Econômica Estadual, and began overseeing the payment of state employee payrolls and providing financial services to the State of Rio Grande do Sul and entities associated with the State.

In 1998, as a result of our participation in the Incentive Program for the Reduction of State Involvement in Banking Activities (*Programa de Incentìvo a Redução do Setor Público Estadual na Atividade Bancária*), or PROES, we underwent a restructuring, during which we were capitalized with R$1,400 million, of which (i) R$700 million was invested in bonds issued by the Brazilian Government and the Central Bank; and (ii) R$700 million was directed towards our liabilities with the Banrisul Social Security Foundation (*Fundação Banrisul de Seguridade Social*), or the Banrisul Foundation, for amounts owed to BNDES. Our debt with the BNDES and the Banrisul Foundation was assumed by the State of Rio Grande do Sul and thus increased the state's share of our capital stock. We used the R$700 million in government bonds to establish provisions for: (i) losses (particularly those related to lending operations) and labor disputes, (ii) partial payment of tax credits and deferred assets and (iii) investments in technology.

In 2007, we completed the primary and secondary public offers of our Class B preferred shares. Out of the R$2,087 million in total proceeds from this offering, R$800 million related to the primary issuance strengthened our capital base, enabling us to expand our credit operations and to improve and make further investments in information technology.

As of the date of these listing particulars, our corporate structure is as follows:



(1) Common Shares
(2) Preferred Class A Shares
(3) Preferred Class B Shares

Our corporate headquarters are located at Rua Capitão Montanha, No. 177, Porto Alegre, Rio Grande do Sul, Brazil 90010-040. The telephone number of our Investor Relations office is (55-51) 3215-3707.

Our Activities

Financial agent of the State of Rio Grande do Sul and its municipalities

We act as the principal financial agent of the government of the State of Rio Grande do Sul, allowing the state to centralize the administration of state budget's revenues and expenditures. We collect taxes, execute transfers to the state's municipalities, make payments to suppliers and administer the payroll of active and retired public servants.

Our income from services rendered to the public sector increased by 4.1% from R$55.9 million in 2009 to R$58.2 million in 2010. In the nine-month periods ended September 30, 2011 and 2010, this revenue was R$44.4 million and R$45.0 million, respectively. These services also constitute an important source of new business, particularly with respect to public sector employees.

State taxes

We are responsible for collecting ICMS taxes and the *Imposto* Motor Vehicle Tax (*Sobre Propriedade de Veiculos Automotores*), or IPVA, for the State of Rio Grande do Sul. According to the Brazilian Constitution, 25% of the ICMS revenue collected by states must be transferred to their municipalities. As a result, we transfer part of the ICMS and IPVA revenue we collect to municipalities on behalf of the State of Rio Grande do Sul.

The table below indicates the amounts of ICMS and IPVA taxes collected and distributed to municipalities for the periods indicated. The amounts distributed include part of the IPVA collected by Banco do Brasil, Bradesco and Sicredi, for the same period:

	As of September 30, (Unaudited)		As of December 31,		
	2011	2010	2010	2009	2008
			(in R$ billion)		
Total ICMS collected	13.2	12.5	16.8	14.6	14.3
Total ICMS and IPVA taxes distributed to municipalities	2.7	2.5	3.4	2.9	2.9

Payroll services for the public sector

In August 2009, Banrisul participated and won the bid to provide payroll services for new INSS beneficiaries whose benefits are to be granted between January 1, 2010 and December 31, 2015. As a result of this bid, we were granted the right to provide payroll services for retirees, pensioners, as well as welfare benefits from the INSS in the State of Rio Grande do Sul.

In addition to the approximately 480,000 benefits already paid by Banrisul, approximately 25,000 new monthly benefits were granted in 2010. We predict that at the end of this five year period, we will have provided 1.5 million new benefits representing more than 700,000 new customers. This new INSS contract provides us opportunities to increase our customer base, leverage new business and increase our market share in the state by entering the beneficiaries sector and strengthening the Banrisul brand.

In addition to INSS, during 2010, we effected a monthly average of 521,817 payrolls payments to civil servants, distributed as follows: 369,060 state servants, 148,406 municipal servants and 4,351 federal servants.

Collection service for municipalities

We collect taxes owed to municipalities, indirect public administration entities, and water and sewer concessionaires, particularly in the State of Rio Grande do Sul. We allow tax payers to make payments via any of our branches, self-service methods (Banrifone, Internet and ATMs) and bank correspondents under contract with us. We also make it possible to pay taxes by debit or checking account, provided that this service is authorized by the taxpayer. We collected approximately R$1.0 billion in municipal and city taxes.

State Public Sector

Digital Teacher Program

Law No. 13,310 established the Digital Teacher Program in the State of Rio Grande do Sul, which was intended to facilitate the purchase of laptop computers for teachers under the jurisdiction of the State Department of Education and professors of the State University of Rio Grande do Sul (UERGS). Banrisul provided a specially-designed line of credit with payroll discounts. Any interest and IOF are paid by the State of Rio Grande do Sul. The program acquired over 50,000 participants, using 24 to 36 month financings.

Reading Credit Program

The Rio Grande do Sul State Department of Education created the Reading Credit Program to improve public state school libraries and encourage reading. Through Banricompras, teachers and students were able to purchase books at the Porto Alegre Book Fair. This program benefits 50 schools from the Metropolitan Region of Porto Alegre.

Collection of Taxes

We also help manage state revenue by transferring ICMS, IPVA and traffic fine credits to the municipalities of the State. In 2010, the State received 11.4 million documents totaling R$1.2 billion from state public services concessionaires. The Finance Ministry sent 6.8 million documents, with revenues of R$16.8 billion.

Judiciary Branch

We created an Automated System for Judicial Authorizations, which allows people to withdraw their judicial deposits electronically, for the State's Court of Justice. This system allows people to have greater flexibility when fulfilling their court orders. People can use any of our branches to pay money to or withdraw money from the court. In 2010, we entered into an agreement with the state judiciary branch for payroll deductable loans, which allowed us to provide personal lines of credit and direct consumer credit (CDC) to all magistrates and staff from the Judiciary of the State of Rio Grande do Sul.

In 2010, we received approximately 1.5 million transactions relating to the deposits, costs and legal fees.

Municipal Public Sector

In 2010, we supplied numerous products and services to the municipal sector to increase their revenues and lower costs through our *Gestão de Frotas* (Fuel Card), a system which allows companies to manage their fleet online 24 hours a day from any location, and Electronic Purchase Management (Electronic Auction) services. We participated in approximately 5.7 million tax transactions, involving over R$1.0 billion in 2010.

We developed public management qualification seminars for managers of municipal health offices for the *Federação das Associações dos Municípios do Rio Grande do Sul* (FAMURS). We have also helped to find solutions regarding *Gestão de Frotas* (Fuel Card) in the municipalities of Santa Maria, Venâncio Aires, Alegrete, Getulio Vargas, Tapera, Santa Rosa, Camaquã, Caxias do Sul, Santo Antônio da Patrulha and Novo Hamburgo.

Electronic auctions

In 2004, as a way of cultivating customer loyalty and reinforcing our relationship with public sector customers, we developed the Online Banrisul Auction, which efficiently and transparently conducts auctions through the Internet. The electronic auction is an internet auction platform, which we created for public companies that are indirectly controlled by the state governments, municipal governments and other public and private entities. Laws No. 13,179 and No. 13,191 made the use of electronic bidding mandatory for the state government, and the Foundation for Human Resources Development - FDRH, in partnership with us and Central Tenders (*Central de Licitações*), or CELIC, taught courses on the qualifications for the servers to be used as part of the purchase processes.

In 2010, 22,800 electronic auctions took place, involving over R$513 million and resulting in savings of R$197 to the sector public users. In 2009, 17,400 electronic auctions took place, involving over R$347 million. In the nine-month period ended September 31, 2011, 23,065 electronic auctions took place, involving over R$402 million. As of September 30, 2010, we had participated in 18,204 electronic auctions for over R$376 million, resulting in savings of 38.36% or R$171 million. The percentage of the savings is the difference between the average amount compared to the smallest bid.

Financial and Development Funds

Under State Law No. 12,069, enacted on April 22, 2004, as amended by Law No. 12,585 of August 29, 2006, we may transfer 85% of the escrow deposits made by third parties (except deposits related to cases in which the litigant is a municipality) to the State of Rio Grande do Sul. The amount that is not transferred is placed in FRDJ, a reserve fund that we manage, to ensure that the escrow deposits are refunded. As of September 30, 2011, the amount of escrow deposits made by third parties, adjusted by the TR (managed prime rate) variation plus interest of 6.17% p.a., was R$7,041 million, of which R$2,043 million was transferred to the State upon its request and written off from our balance sheet. As of December 31, 2010, the amount of escrow deposits made by third parties was R$6,468 million, of which R$2,043 million was transferred to the State upon its request and written off from our balance sheet. We record the remaining balance in Other Payables - Financial and Development Funds.

In the years ended December 31, 2008, 2009 and 2010, our revenue from services related to judicial deposits was R$15 million, R$15 million and R$17 million, respectively, and in the nine-month periods ended September 30, 2011 and 2010, our revenue totaled R$19 million and R$11 million, respectively. These revenues arise from the difference between the total remuneration on the judicial bond (the variation of TR increased by 5.0% per month) and the SELIC rate. In these cases, we are entitled to 10.0% of the revenues, while the Judiciary Improvement Fund receives the other 90.0% of this difference.

Lending Operations

Loans to individuals

Our loan portfolio focuses on increasing lending operations to individuals, mainly through payroll-deduction loans. We believe that this type of loan represents an excellent economy of scale. The table below shows the portfolio of lending operations for our individual customers as of September 30, 2011:

Type	Total amount (in R$ million)	% of Loans to individuals	% of Loans to individuals in default
Individual loans	1,066	12.80%	5.35%
Overdraft	662	7.95%	8.83%
Direct Consumer Credit (CDC)	247	2.97%	0.96%
Payroll-deduction loans[1]	5,908	70.95%	1.26%
Other	444	5.33%	19.52%
Total	**8,327**	**100.00%**	**3.35%**

(1) Includes payroll-deduction loans for public servants, private sector employees, retirees and pensioners.

Our largest loan portfolio to individuals is to state and municipal public employees, including pensioners and retirees who are beneficiaries of the INSS. These payroll-deduction loans are paid by paycheck advances (called a "discount" in Brazilian banking terms). All public employees of the State of Rio Grande do Sul are pre-authorized to use this line of credit. Our portfolio of payroll-deduction loans also includes certain private sector employees for companies with which we have agreements. As of September 30, 2011, we had approximately R$5,908 million in payroll-deduction loans outstanding, representing approximately 70.95% of our total loans to individuals. The risk involved in these loans is low, because in most cases they involve small amounts and repayment amounts are deducted directly from the borrower's paycheck.

We offer non-payroll-deduction personal loans with terms of up to 24 months. The value of our non-payroll-deduction personal loans is calculated based on the statistical risk of the customer. In addition to revolving credit lines, some of our customers receive the "13th month" salary bonus and advance income tax refunds in advance from us. In addition, our customers have pre-approved lines of credit in checking accounts, which they are able to access these electronically through electronic terminals, the Banrifone telephone service or the Internet. As of September 30, 2011, we had R$1,066 million in personal credit loans outstanding, representing 12.80% of all loans to individuals.

In addition to the programs described above, we have a direct consumer credit portfolio to finance the acquisition of new or used vehicles, domestic or imported. The Direct Consumer Credit (*Crédito Direto ao Consumidor*), or CDC, vehicle limit is calculated according to the risk rating of the customer. The maximum financing limit depends on the year the vehicle was manufactured, with financing up to 100% of the purchase price, along with the option of payroll-deduction loans, for new vehicles. The collateral for these loans is the vehicle being financed.

In order to encourage customer loyalty, we offer our individual customers overdraft protection, which consist of a revolving limit, which can be accessed using checks or Banricompras debit card. Overdraft limits are calculated based on a customer's risk rating, with a minimum limit of R$100 and a maximum limit which depends on the client's ability to pay. Interest rates for overdrafts vary depending on the customer's risk profile.

Our total loan portfolio for individuals increased 37.90% to R$5,352 million as of December 31, 2009 and 37.23% to R$7,345 million in December 31, 2010. In the nine-month period ended September 30, 2011, total loans to individuals increased 13.37% compared to December 31, 2010, reaching a total amount of R$8,327 million at the end of the period.

As of September 30, 2011, our outstanding payroll-deduction loans totaled R$5,908 million. Non-payroll-deduction loans to individuals, including overdraft protection, totaled R$1,728 million for the same period, representing nearly 21.00% of the loan portfolio.

Income from lending operations to individuals increased 20.32%, to R$1,836 million, in the nine-month period ended September 30, 2011 compared to R$1,526 million in the same period in 2010. Also,

overdue loans to individuals as a percentage of our total loans to individuals was 3.35% as of September 30, 2011.

Loans to corporations

Our customer base consists mainly of micro-businesses and small- and medium-sized companies with average monthly revenues of up to R$25.0 million, which represent approximately 71.52% of our total corporate customers. We have differentiated lines of credit for micro and small businesses, which we consider a strategic segment, as well as for medium-sized and large businesses. The amounts, fees and terms for retail corporations are set based on pre-established policies, but loans for medium and large businesses are negotiated.

Our main lines of credit for corporations include working capital and guaranteed account loans, notes discounts and advance payment of receivables. The table below shows our loan portfolio for corporations as of September 30, 2011:

Type	Total amount (in millions of R$)	% of Loans to corporations	% of Loans to corporations in Default
Working capital	4,835	73.48%	1.82%
Guaranteed account	566	8.60%	4.51%
Notes discounts	377	5.73%	3.19%
Advance payment of receivables	0	0.00%	0.00%
Other	802	12.19%	12.35%
Total	**6,580**	**100.00%**	**3.42%**

Our lending operations tied to the receivables from Banricompras represent one of our competitive advantages. Banricompras allows us to increase the synergies of our debit card management activities under our own brand. At the same time, these transactions allow us to optimize our loan portfolio with transactions that provide excellent liquidity. We also finance the acquisition of equipment for retail establishments that want to be affiliated with the Banricompras system to expand our network.

We offer our corporate customers in the State of Rio Grande do Sul financing options for amounts owed for ICMS taxes, which are collected monthly. The level of financing we provide depends on each customer since the amounts owed for ICMS taxes arise from their billing, but we generally provide financing for up to 30 days. This financing method presents a synergy with our tax collection activities because, on the one hand, the company will not be forced to use its cash flow to pay the ICMS taxes, and on the other hand, the Public Treasury will receive taxes owed in a timely manner.

Our CDC portfolio for corporations includes financing for the acquisition of machines and vehicles in a maximum amount of 70% or 80% of the value of the acquired asset depending on the date of manufacture. The terms and fees vary depending on the type of asset and the financial situation of the company. We request guarantees from the company's shareholders and a security interest in the financed asset.

Our total amount of loans to corporations increased 3.66% to R$4,687 million in December 31, 2009, and 22.30% to R$5,732 million in December 31, 2010. In the nine-month period ended September 30, 2011, our loan portfolio increased 14.79% compared to December 31, 2010, reaching R$6,580 million at the end of the period.

As of September 30, 2011, our loans to corporations represented approximately 33.48% of our total outstanding loans. Revenue from loans to corporations increased 33.43%, to R$1,067 million, in the nine-month period ended September 30, 2011 compared to R$800 million in the same period in 2010. Overdue loans to corporations as a percentage of our total loans to corporations was 3.42% as of September 30, 2011.

Real estate financing

We offer various kinds of real estate financing for individuals and corporations for the acquisition, construction and remodeling of properties. These loans generally have longer terms and lower interest rates than personal loans. The guarantees in real estate financing consist of the financed asset, through a mortgage.

The table below indicates the main characteristics of our real estate financing programs.

System	Value of the property[1]	Maximum financing amount	Interest rate	Maximum term
S.F.H – Residential	Up to R$150,000.00	90% of the value of the property.	8.5 % p.a. + TR	30 years
S.F.H – Residential	From R$150,000.01 to R$500,000.00	80% of the value of the property, limited to R$450,000.00.	9.5% p.a. + TR	30 years
S.H – Residential	Above R$500,000.00	80% of the value of the property.	10.90% p.a. + TR	20 years
S.H – Commercial	Any amount	70% of the value of the property	12.28% p.a. + TR[2]	15 years (individuals)
S.H. – Residential Expansion	Residential (Expansion)	Minimum of R$5,000.00	12.00% p.a. + TR	12 years
S.H. – Commercial Closing	Closing (Commercial units)	Up to 60% of the Direct Cost	12.28% p.a. + TR	5 years (corporations)

(1) Updated appraisal value or purchase and sale price, whichever is lower.
(2) The customer also reimburses us for all IOF costs.

Additionally, we offer a corporate plan to corporations financing real estate activities. The expansion of this credit line became possible as the Brazilian economy stabilized, along with important changes in legislation that allowed a reduction of the risks associated with real estate enterprises, reducing the risk of financing such operations. Under the Corporate Plan, we finance up to 90% of the cost of construction, with payment terms of 42 months and interest varying between 11.00% and 12.00% per annum, as adjusted by changes in the TR.

Our total real estate loans increased 12.90% to R$1,085 million as of December 31, 2009, 18.43% to R$1,285 million as of December 31, 2010, and 25.34% in the nine-month period ended September 30, 2011 compared to December 31, 2010 to R$1,611 million at the end of the period.

According to current Central Bank regulations applicable to all SBPE agents, we must apply a minimum of 65% of the average savings deposits towards real estate loans.

Revenue from real estate loans in the nine-month period ended September 30, 2011 increased 29.28% compared to the same period in 2010, from R$90 million to R$116 million. real estate loans overdue by more than 60 days as a percentage of total real estate loans was 0.77 % as of September 30, 2011.

As of September 30, 2011, our real estate loans totaled approximately R$1,611 million, representing almost 8.20% of our loan portfolio.

Agricultural loans

We have loan programs dedicated to the agricultural sector, which include: (i) financing costs associated with planting acreage and animal breeding; (ii) advance payment of receivables and notes discounts; (iii) financing the storage of products for future delivery; (iv) funding programs through BNDES/FINAME for equipment and machinery purchases and construction; and (v) programs for loans and assignment of funds within the National Family Farming Program *(Programa Nacional do Fortalecimento da Agricultura Familiar)*, or PRONAF, with favorable terms for family-owned farms.

Our loan programs target both commercial and family-owned farms, including small, medium and large agricultural producers, individuals and companies. We are involved in providing credit along the various stages of the agribusiness chain, from start-up costs and initial investments to financing the marketing and storage of production.

We also lend funds supported by the BNDES, through FINAME programs, for the acquisition of supplies, purchase of machinery and equipment, and investments in infrastructure. Under the FINAME program, financial institutions, which have been accredited by BNDES, provide special financing lines for the production and acquisition of new machinery and equipment for manufacture in Brazil.

We have established loan programs for exhibitions and fairs in which we participate, where we grant loans for the acquisition of animals, machines and equipment, according to pre-approved program limits. In addition to doing business at the event itself, the objective of these programs is to provide instantaneous loans with our own funds or funds originating from BNDES.

Our customers' demand for agricultural loans has been increasing in recent years. To meet this growing demand, we have increased the amount of capital earmarked for these loans. In 2010, we had 347 branches providing agricultural loans to farmers in 460 municipalities in the State of Rio Grande do Sul, 155 municipalities in the State of Santa Catarina, and 65 municipalities in the State of Paraná.

Under Central Bank regulations, we are obligated to dedicate part of the funds we collect from demand deposits to agricultural loans, and of this total, a portion must be earmarked for loans to support family-owned farms. As of the date of these listing particulars, our agricultural loans satisfy these requirements.

In the nine-month period, the average amount subject to compulsory Central Bank requirements was R$1,029.4 million, of which the average applied was R$1,149.4 million, or 112%. Of the amount required from Rural Savings - MCR 6.4, 100% were granted at interest rates of 11% to 12.50%, and of the amount required from Demand Deposits - MCR 6.2, 85.5% were granted at rates ranging from 6.25% pa - 6.75% pa and 14.5% were granted at rates ranging from 1.5% pa - 4% aa.

The total amount of our agricultural loans, including the operations carried out with our own funds and government-sponsored funds, increased 19.86% in 2009, totaling R$1,020 million, and 25.88% in 2010, totaling R$1,284 million. In the nine-month period ended September 30, 2011, we experienced a 23.34% increase compared to December 31, 2010, with the amount of the operations reaching R$1,584 million.

On September 30, 2011, our agricultural loans totaled R$1,584 million. Of this total, R$1,126 million involved operations with our own funds and R$458 million represented loans with government-supported funds.

Revenue from agricultural loans increased from R$54 million in nine-month period ended September 30, 2010 to R$67 million in the nine-month period ended September 30, 2011. Overdue agricultural loans as a percentage of our total agricultural loans were 0.92% as of September 30, 2011.

Loans to the public sector

We offer short- and long-term financing to entities in the public sector, except to the State of Rio Grande do Sul, which we cannot finance due to restrictions set forth in the Banking Reform Law. The amount of each lending transaction and the borrowing entity must comport with the requirements for public sector lending set forth by the Ministry of the National Treasury. See "Regulation of the Brazilian Banking Industry—Compulsory Deposits and Other Requirements."

Our total amount of loans to the public sector decreased 36.65% to R$121 million as of December 31, 2009 and increased 4.13% to R$126 million as of December 31, 2010. In the nine-month period ended September 30, 2011, there was a decrease of 3.25% compared to December 31, 2010, to R$122 million at the end of the period.

As of September 30, 2010, our public sector loan portfolio represented nearly 0.62% of our total outstanding loans. In the nine-month period ended September 30, 2011, revenue from our loans to the public sector increased 9.09%, to R$12 million, compared to R$11 million in the nine-month period ended September 30, 2010. This increase is due to the increase in the volume of credit operations for public entities.

Lease

We finance leases for vehicles, machinery, equipment, and information technology for industrial and commercial companies, the service industry and individuals, and at the end of the contract, the customer has the option of purchasing the financed good. Corporations account for 92.41% of our lease financings.

The minimum term for lease financings is 24 months and the maximum term is 60 months. The average interest rate in these transactions was 18.39% per year in 2009 and 19.06% per year in 2010.

As of September 30, 2011, our total number of lease financings included 1,433 transactions involving a total of R$84 million. Lease transactions overdue for more than 60 days as of September 30, 2011, were approximately 5.67% of our total lease transactions. In nine-month period ended September 30, 2011, revenue from lease transactions was up 3.27% to R$12 million, compared to R$11 million in the corresponding period in 2010.

Payroll services

We offer payroll services to our customers in both the public and private sector, including direct deposit services into the employees' checking account at Banrisul. In addition to the revenue from these payroll payment services, we use this activity as a springboard to offer other services, including payroll deduction loans and other services to the employees who receive their paychecks under our payroll services. We do not receive revenue directly from these activities; they are used as a tool to maintain the loyalty of customers who request other bank products and services.

Credit and debit cards

Debit cards

We have our own debit card system, Banricompras, which functions as an electronic check for making immediate payments, either in installments or by using predated checks. Banricompras is accepted by more than 97,000 establishments, mostly in the State of Rio Grande do Sul but also in the States of Alagoas, Bahia, Ceará, Distrito Federal, Espirito Santo, Goiás, Minas Gerais, Mato Grosso do Sul, Pernambuco, Paraná, Rio de Janeiro, Rio Grande do Norte, Santa Catarina, Sergipe and São Paulo. The system allows members to receive the value of the financed purchase in a single sum, replacing the predated check and increasing the safety of the collection of the amount owed. Member businesses also have the option of collecting the receivables from installment sales in advance.

In July 2011, we entered into a partnership with *Verde Administradora de Cartões de Crédito S.A.*, through which debit and credit cardholders from the Quero-Quero Group Company (a large retail store located in the State of Rio Grande do Sul) can use our terminals and Web POS.

On October 7, 2011, Banricompras announced that it would offer Visa card services, including credit, debt and pre-payment cards. We believe that this partnership will provide more options for customers to make payments as it will increase the Banricompras network. The Visa network is able to process over 24,000 transactions each second and over 71 billion transactions each year.

Overdraft protection afforded our customers automatically extends to installment payments with Banricompras. The limit depends on the amount of the overdraft granted to the customer, but varies on an individual basis, according to the risk profile of the customer and our credit policies. The Banricompras system also leverages our lending operations, because the purchases are paid in installments. We believe that the revolving interest rates which we use are attractive compared to those charged in the market, and the rates are collected from the establishments and not from the customers.

In 2010, 70.9 million transactions representing approximately R$4.8 billion were conducted via Banricompras. In the years ended December 31, 2008, 2009 and 2010, our direct revenue from fees and charges involving Banricompras were R$55 million, R$69 million and R$86 million, respectively, and in the nine-month period ended September 30, 2011 and 2010, it was R$74 million and R$62 million, respectively.

Credit cards

We operate credit cards directly under the Visa, MasterCard and VerdeCard brands and are responsible for the entire management process, including credit card billing and payment.

As of September 30, 2011, we had issued and had almost 403,000 outstanding credit cards (compared to 307,000 as of December 31, 2010 and 283,800 as of September 30, 2010). Many of these cards were issued to public employees of the State of Rio Grande do Sul because we offer the credit cards with payroll-deductions. In 2009, third-party credit cards that we operate carried out transactions totaling R$762.2 million.

For the years ended December 31, 2009 and 2010, our revenue from the annual fees and withdrawal fees of credit cards was R$11 million and R$12 million, respectively, while for the nine-month period ended September 30, 2011 and 2010, it was R$7 million and R$9 million, respectively.

In the years ended December 31, 2008, 2009 and 2010, our other revenue from credit card operations, including interest, was R$46 million, R$56 million and R$48 million, respectively, and for the nine-month period ended September 30, 2011 and 2010, it was R$36 million and R$35 million, respectively.

Banrisul Services Meal vouchers

In addition to the products intended for corporations, we offer our corporate customers meal voucher management services, fuel cards and gift cards, through our subsidiary Banrisul Services (Banrisul Serviços). This service has been in operation for fourteen years and we believe that the Banrisul Services is a leader in this sector in the State of Rio Grande do Sul. It has the largest network of customers in the state for its meal vouchers, and is accepted at more than 50,000 locations.

In the fiscal years ending December 31, 2008, 2009 and 2010, our direct revenue from operations involving the Banrisul Services products was R$17 million, R$17 million and R$22 million, respectively, and for the nine-month periods ending September 30, 2011 and 2010, it was R$20 million and R$16 million, respectively.

Group financing administration

Through our subsidiary Banrisul Consórcios, we administer group financing options for individuals and corporations. Group financing activities (also known as consortium or *consorcio*) is an association of individuals or companies (or any combination of these entities) which pool their resources together to achieve a common goal, such as the purchase of vehicles, motorbikes or real estate properties. As remuneration for putting these entities together and organizing the group requirements, we receive a fee which constitutes the gross revenues of Banrisul Consórcios.

As of September 30, 2011, we managed 24,983 group financing transactions involving approximately R$762 million. In the years ended December 31, 2008, 2009 and 2010, our direct revenue from group financing was R$8 million, R$11 million and R$12 million, respectively, and in the nine-month periods ended September 30, 2011 and 2010, it was R$11 million and R$9 million, respectively.

International activities

We are authorized by the Central Bank to purchase and sell currency in foreign exchange markets. Our main customers in this area are medium- and large-sized companies, including those in the agricultural sector. As a result, we offer products in the areas of: (i) export financing (including the deferment of payments on foreign exchange contracts and advances on exchanges delivered); (ii) guarantees for international operations receiving counter-guarantees in Brazil; and (iii) onlending of resources collected abroad (Resolution 3,844, extinct Resolution 2,770). The conditions of our foreign exchange operations, including terms, interest rates and commissions, are negotiated on an individual basis, according to the characteristics of the operation and the risk profile of our customer. We also process remittances abroad and manual exchanges.

Our exchange operations registered the movement, annual hiring volume, described below:

Type	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
		(*in millions of U.S.$*)		
Exports	412	730	709	726
ACC and ACE	777	420	398	417
Imports	715	785	509	527
Import Letter of Credit	151	148	115	118
Finimp	158	166	79	50
Financial (Type 3 and	235	410	243	292

Type	As of September 30, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
4)				
Total	2,448	2,659	2,052	2,130

Asset management

As of September 30, 2011, we managed 32 investment funds, including 19 fixed-income funds, eight equity funds, three mixed-market funds, one Interbank Deposit (DI) fund and one short-term fund. Additionally, we act as dealers for an investment fund which has credit rights form receivables of CEEE, and we manage an individually-tailored retirement fund and an investment portfolio. As of September 30, 2011, the breakdown of investors in our managed funds was as follows: individuals (31.20%), corporations (21.20%) and public sector entities (47.60%).

The total balance of assets managed through our investment funds was R$4,802 million as of December 31, 2008, R$5,533 million as of December 31, 2009, and R$6,038 million as of December 31, 2010, representing an increase of 15.21% from 2008 to 2009 and 9.13% from 2009 to 2010. As of September 30, 2011, the balance of funds managed was R$6,595 million, representing an increase of 9.23% from December 31, 2010.

The average management fee we collect is approximately 1.03% per year of total managed assets. In the years ended December 31, 2008, 2009 and 2010, we recognized revenues of approximately R$61 million, R$59 million and R$63 million in management fees, respectively. In the nine-month period ended September 30, 2011, we recognized approximately R$48 million in revenue, compared to R$47 million in the corresponding in 2010.

In accordance with CVM Instruction No. 409, dated August 18, 2004, we created an asset management department dedicated exclusively to securities portfolio management in 2004. The creation of this department required the implementation of a "Chinese wall" between our third-party asset management activities and the management of our own funds as carried out by the Financial Department.

Treasury operations

We obtain a significant part of our operating income through our treasury activities. Our treasury area assures adequate liquidity for our operations, our funds and the total loan portfolio in terms of maturity, currency and interest rates. Our treasury department manages highly liquid investments, excluding the FCVS Fund, which was created to guarantee residual housing contracts and which makes payments to the National Treasury. Our own portfolio is primarily made up of highly liquid federal public securities.

We have a loan portfolio with the FCVS. Following a ratification and novation process, these receivables will be converted into CVS securities. However, we have already passed the original date by which management estimated we would have completed the conversion. While we have not yet defined the maturity for these securities, the market value of these securities, upon their issue date, could significantly differ from their face amounts.

For the nine-month period ended September 30, 2011, our consolidated investment portfolio totaled R$9,148 million in securities, stocks and derivatives and R$3,057 million in interbank investments. It was composed mainly of Brazilian Government securities and investment funds. Our revenue from securities and derivatives totaled R$999 million, R$1,137 million and R$1,081 million in the years ended December 31, 2008, 2009 and 2010, respectively, and R$931 million and R$793 million in the nine-month period ended September 30, 2011 and 2010, respectively.

We classify our securities according to our investment policy and based on our financial capacity to hold our securities to maturity, if applicable. Since January 2003, we have classified our securities in the categories "for trading," "held to maturity" and "available for sale." These classifications allow us to increase liquidity when we identify factors that may generate negative cash impacts, such as the loss of deposits. We regularly review our classifications according to projected liquidity needs and treasury performance strategy.

The table below shows the classification of our securities portfolio as of December 31, 2010, 2009 and 2008, and as of September 30, 2011:

Securities, Stocks and Derivatives

	As of September 30, (Unaudited)	As of December 31,		
	2011	2010	2009	2008
		(in R$ million)		
For trading securities[1]	2,254	2,072	1,886	959
Available for sale securities[1]	1,773	1,713	1,070	621
Held to maturity securities	5,121	4,740	4,301	4,421
Derivatives	-	-	151	110
Total	**9,148**	**8,526**	**7,409**	**6,111**

(1) Value of securities adjusted to market, according to CMN and Central Bank regulations.

Insurance, private retirement and capitalization plans

Since 2001 we have been offering our customers in the public and private sectors of life insurance and general insurance plans, private retirement plans and certified savings plans from the Sul América and Icatu Hartford groups as a way of increasing our product portfolio. As of December 31, 2010 we added R$5.2 million in capitalization plans and R$7.3 million in insurance. We have provided approximately 9,563 customers with life insurance and civilization plans.

Lending Procedures

Loan Portfolio

Concentration

We manage our loan portfolio in order to diversify the types of transactions and customers (individuals, corporations and public sector entities). The table below sets forth data for our loan portfolio (excluding foreign obligations):

	As of September 30, (Unaudited)		As of December 31,					
	2011		2010		2009		2008	
	Value	% Total	Value	% Total	Value	% Total	Value	% Total
			(*in R$ million, except for percentages*)					
Individuals	8,333	42.40%	7,345	43.12%	5,353	39.90%	3,881	33.88%
Public sector	122	0.62%	126	0.74%	122	0.91%	191	1.66%
Agricultural sector	1,584	8.06%	1,285	7.54%	1,021	7.61%	853	7.45%
Real estate financing	1,611	8.20%	1,285	7.55%	1,085	8.09%	961	8.39%
Commercial	2,325	11.83%	2,011	11.81%	1,615	12.04%	1,590	13.88%
Industrial	3,888	19.78%	3,505	20.58%	2,963	22.09%	2,893	25.26%
Services and other	1,791	9.11%	1,476	8.67%	1,256	9.36%	1,085	9.48%
Total	**19,655**	**100.00%**	**17,035**	**100.00%**	**13,414**	**100.00%**	**11,454**	**100.00%**

Term of the loan portfolio

As at September 30, 2011, the average term of our outstanding loan portfolio was 45 months. The table below presents our loan portfolio according to maturity terms (excluding amounts overdue and foreign obligations):

Maturity	As September 30, (Unaudited) 2011		As of December 31, 2010		2009		2008	
	Value[1]	% Total	Value[1]	% Total	Value[1]	% Total	Value[1]	% Total
	(*in R$ million, except for percentages*)							
Up to 3 months	4,859	24.72%	3,693	21.68%	3,167	23.61%	3,438	30.02%
3 to 12 months	5,047	25.68%	4,794	28.14%	3,963	29.54%	3,185	27.81%
13 to 36 months	5,678	28.89%	5,092	29.89%	3,455	25.75%	2,687	23.46%
37 to 60 months	2,565	13.05%	2,041	11.98%	1,273	9.49%	1,138	9.94%
Over 60 months	1,506	7.66%	1,415	8.31%	1,556	11.60%	1,005	8.77%
Total	19,655	100.00%	17,033	100.00%	13,414	100.00%	11,454	100.00%

(1) In millions of *reais*.

Risk Classifications

Loan portfolios are classified according to their risk level and other criteria, such as the economic situation, past experience and specific risks in connection with the transactions, debtors and guarantors.

We are required to classify our loan portfolio according to the criteria stipulated by the Central Bank. According to CMN resolution No. 2,682 of December 21, 1999, as amended (Resolution CMN 2,682/99), financial institutions must classify loan portfolios according to respective risk level, as: AA, A, B, C, D, E, F, G, or H.

These credit classifications are determined according to criteria stipulated by the Central Bank, which includes: (i) the state of the debtor and any guarantor, including their economic and financial situation, level of indebtedness, capacity to generate profit, cash flow, management and quality of controls, punctuality/delay in payments, activity sector, contingencies and credit limits; and (ii) the characteristics of the transaction, the assets given in guarantee and the total amount of the credit. Lending operations that bind a customer to a particular sector of activity must be analyzed considering the individual lending operations of that customer, as well as similar transactions in that sector which represent the highest credit risk for the financial institution in question. Lending operations of up to R$50,000 may be classified either by the appraisal method of the financial institution or according to the number of days payment is delayed, using the more strict classification.

Loans overdue by more than 60 days, regardless of their risk level, are recognized as income only when actually received. In general, operations classified as level H remain so classified for six months, after which they are charged against the provision, controlled in memorandum accounts and no longer recognized in the balance sheet. The debts in renegotiation are kept at least at the same level as they were originally classified. Lending operations in renegotiations that were written off against a provision and in clearance accounts are classified as level H, and the potential funds obtained from renegotiations are recognized as income only when actually received.

The tables below show the opening percentages of our total loan portfolio classified by level of risk, as of the dates indicated:

Classification	As of September 30, (Unaudited) 2011		As of December 31, 2010		2009		2008	
	Value [1]	% Total	Value [1]	% Total	Value [1]	% Total	Value [1]	% Total
	(in R$ million, except percentages)							
AA	3,147	16.01%	3,309	19.43%	3,838	28.61%	2,709	23.65%
A	8,985	45.71%	8,028	47.13%	4,860	36.23%	4,027	35.16%
B	3,524	17.93%	2,699	15.85%	2,207	16.45%	2,156	18.83%
C	1,840	9.36%	1,202	7.06%	917	6.84%	933	8.15%
D	585	2.98%	362	2.12%	234	1.75%	282	2.46%

	As of September 30, (Unaudited)		As of December 31,					
	2011		2010		2009		2008	
Classification	**Value** [1]	**% Total**	**Value** [1]	**% Total**	**Value** [1]	**% Total**	**Value** [1]	**% Total**
	(in R$ million, except percentages)							
E	434	2.21%	283	1.66%	173	1.29%	248	2.16%
F	523	2.66%	675	3.97%	725	5.41%	700	6.11%
G	100	0.51%	79	0.46%	89	0.66%	62	0.54%
H	517	2.63%	396	2.32%	371	2.76%	335	2.93%
Total	19,655	100.00%	17,033	100.00%	13,414	100.00%	11,454	100.00%

(1) The amounts shown in our loan portfolio:

a) Includes lease transactions as shown at present contract value, while on the balance sheet these transactions are registered for the contracted amount. As of December 31, 2010, 2009 and 2008, the amounts were R$84 million, R$98 million and R$108 million, respectively, while for the nine-month period ended September 30, 2011 the amounts was R$83 million;

b) Includes the classified advances against foreign exchange contracts are booked as a reduction in "Other liabilities – Foreign exchange portfolio." As of December 31, 2010, 2009 and 2008, the amounts were R$396 million, R$446 million and R$433 million, respectively, and R$495 million as of September 30, 2011; and

c) Includes other credits – Foreign exchange, receivables from foreign exchange contracts and receivables from export contracts. The amounts as of December 31, 2010, 2009 and 2008, the amounts were R$16 million, R$37 million and R$15 million, respectively, while for the nine-month period ended September 30, 2011, the amount was R$18 million.

Allowance for loan losses

We make provisions for allowance for loan losses in amounts considered sufficient to cover possible losses which are determined based on the customer risk classifications. We create these classifications using periodic credit quality assessments and the minimum allowance percentages required by CMN Resolution No. 2,682/99.

Our business model is focused both on the profitability of the global business each specific component of it. Our business model seeks to centralize management and control of our operations with the goal of enabling it to be monitored on line in real time. The underlying purpose of this measure is to maximize control over our assets and liabilities. These processes allow us to have more access to our low income client base. We have structured our decision-making process to make such strategies viable. Our decision-making process is organized both at management and technical levels in such a structured manner so as to allow us to seek new businesses, reach out new clients and offer additional banking services. Our internal decision-making process for corporate lending is undertaken by credit and risk committees, which are organized according to specific lending ceilings and to the type of transaction involved. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit Risk." As of September 30, 2011, we believe our allowance for loan losses is adequate to cover all known risks in our loan portfolio.

Credit Monitoring

The managing unit of each credit portfolio, each branch's loan committee and local management, and our directors all monitor our loan portfolio. In commercial portfolio operations, monitoring is done with monthly closing and passing on consignments in the various segments. Our systems record operations, control pending operations and record guarantees for securities, checks and receivables. In addition, we rate the portfolios, the recoveries and renegotiations done during the month, the daily information on applications and the average rates charged.

Granting loans

In 1995, we changed the loan approval process from an individual to a committee-based system. The approval of every loan begins and ends at the branches. We have an automated system that records loan proposals. This system controls and directs the applications to the appropriate credit committee, which evaluates applications according to certain parameters and risk models including the commitment of the customer, the type of loan requested, interest rate and collateral. The loan applications are evaluated electronically. We also have very strict money laundering guidelines based on Law No. 9,613/98. While the majority of transactions are completed through the electronic system, there are system checks for certain transactions. Additionally, we have credit committees at each branch, which consist a qualified technical team. We believe our credit decisions are based on consensus, technical judgments, and proper banking procedures.

Procedures for credit approval

Our main credit criteria for corporations is the definition of risk limits for each customer. In order to analyze and approve corporate loans, we study a customer's risk limit, which consists of a detailed analysis of the company, market, and management. We collect data from the company on our own form, consolidate this information in our system and our technicians assess the data. Recently, we have developed a statistical modeling system that classifies based on score and the credit behavior of the customers, in order to define credit limits for companies. Initially, this system is being used to classify only small companies (with R$200,000 of annual gross revenue).

Our procedure for individual credit approvals uses both the definition of credit limits based on our own risk classification system and definitions based on products with low risk such as paycheck loans. For individuals, the credit approval system is based on statistical estimates, assigning customers a risk classification whenever the customer updates his or her registration card. According to the estimated statistical risk, the system automatically suggests a credit limit for the customer. The individual's global credit limit is distributed between revolving and installment credit products. Payroll-deduction loans, advance payment of the "13th month" salary bonus and advance payment of income tax are types of credit not included in this credit limit system, and approval consists of matching the proposals to the conditions we define for the credit line. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit risk."

Recovery of outstanding payments

Our recovery policy prioritizes obtaining liquidity. We do so by collecting immediately after maturity, and by monitoring loans that suggest future liquidity problems. Loans that suggest future liquidity problems are restructured before the maturity date.

We have an automated system with a record of pending credits in liquidation and another with a record of operations posted as a loss. The system controlling pending credits gives us access to our branch network so that we may analyze each client's transactions. The system also carries out administrative collection actions such as: (i) registering with the Credit Protection Service and SERASA, (ii) issuing a letter addressed to the debtor reminding him or her of the outstanding debt, (iii) issuing a letter to the participants in defaulting transactions that requests regularization, and (iv) issuing notices of default anticipating further legal action and judicial sale recovery.

Our guidelines for recovering bad loans consist of seeking an amicable and mutually agreeable solution with the customer. When we are convinced that such a solution is impossible, we will settle our claim in court.

The supervision of approved transactions is the responsibility of the credit committees, credit units, managing credit groups and credit recovery units. To recover bad loans, we also have specific teams in each department who specialize in the recovery of bad loans already posted as credit in liquidation. We also have an internal team of highly specialized and experienced lawyers for the collection process, and have access to outsourced collection companies and outside lawyer services.

The negotiations with the customers for credit recovery follow policies defined by the committees and the board of directors covering the various loan portfolios of the bank. The term for renegotiation varies from one to 60 months, and the rate applied for the correction of the installments is TR plus 1.0% per month. All loans equal to or less than R$30,000 are outsourced to companies responsible for out-of-court collection with pre-determined amounts and conditions, as set forth in the decree. The recalculation of transactions in litigation start from the initial amount corrected by TR plus 1.0% per month, and the recalculation of transactions not in litigation start from the amount transferred with the correction of TR plus 1.0% per month. Discounts for immediate liquidations are based on the maturity date of the instrument.

Distribution Network

Our distribution network includes bank branches and service centers. Our service centers are located on the premises of corporations and government entities. We offer our products and services in 414 of the 496 municipalities of the State of Rio Grande do Sul, and in 31 municipalities in other Brazilian states. As of September 30, 2011, our network had 440 branches, 279 corporate branches (*Postos de Atendimento Bancário*), or PABs, and 533 full service ATMs, or ATMs which may include one or more ATMs (*Postos de Atendimento*

Eletrônico), offering a full range of banking products and services to our customers, and receiving payment for consumption accounts and taxes and contributions.

State	Number of Branches
Rio Grande do Sul	399
Santa Catarina	25
São Paulo	4
Rio de Janeiro	3
Paraná	2
Others	7
Total	440

Our various types of branches constitute a competitive, cost-effective method for the expansion and maintenance of our customer base, because they require less overhead than full branches and offer easy access to our services in our customers' respective workplaces. We also serve our customers through the network of commercial establishments that make up the Banricompras system (more than 97,000 as of September 30, 2011) and the Banricontas network, made up of 2,000 bank correspondents in such locations as pharmacies and other commercial establishments, which processed more than 57.9 million transactions in 2010, involving approximately R$13.8 billion in funds. We also offer 24-hour Internet banking services through our Virtual Branch, available to all of our customers. This system was implemented in 1999 and has processed more than 76 million transactions, with an average of 8.3 million transactions per month in 2010.

As of September 30, 2011, we operated 2,605 ATMs, 91 customer terminals and 334 check vending machines. Our expansion plan includes the installation of new equipment to meet market demand and to further reduce costs. Included in this plan is the 24-hour network, which gives our customers access through shared terminals with other institutions. In 2010, our customers had approximately 118.0 million ATM transactions. Our customers can also use the Banrifone telephone service 24 hours a day, 7 days per week, which offers specific services, such as balance inquiries, checkbook orders, payment on financial instruments, and explanations of our products and services. All call-center operators are our own employees.

We also have two foreign branches located in Grand Cayman (Cayman Islands) and New York (United States of America), where we carry out deals to obtain international funding that is then allocated to our international and foreign exchange area.

Property, Plant and Equipment

We own the building where our headquarters are located in the City of Porto Alegre, State of Rio Grande do Sul. In addition, we own buildings offices in Porto Alegre and other municipalities, totaling 205,500 square meters of building space.

As of September 30, 2011, we held 183 properties as a result of judicial executions, internally appraised at R$25.2 million. These properties must be sold within one year from the date we received them, pursuant to a regulation by the Central Bank, except if the Central bank extends such period. See "Regulation of the Brazilian Banking Industry—Limitations and Restrictions on Financial Institutions."

Information Technology

Our information technology area is primarily focused on ensuring safety for both our customers and our internal operations. Ongoing efforts are directed to study and assess the most modern and efficient technologies available in the market.

In the last three years, we have made substantial investments in the maintenance, upgrade, and expansion of our network system as well as technological innovations in order to increase the efficiency of our operations and services. These investments totaled R$191 million in 2010, R$227 million in 2009, and R$152 million in 2008.

Among our achievements in this area is the launch of the multipurpose Banrisul card, which allows customers to use several of our services with a single card, and provides secure digital certification. With the storage of digital certificates, our customers have access to highly secure internet transactions. Implementation of this product has focused on internet banking, multipurpose cards, collection, rates, commercial automation, credit, and deposits. We also plan to build a new banking data center in 2012.

In the first quarter of 2011, we implemented various security requirements as we began our partnership with MasterCard to ensure that we met the PCI (Payment Card Industry) safety standards. We are the only institution in Latin America that is a member of the PCI board of advisors, which sets worldwide rules and regulations. The new Web POS communication structure used in the Banricompras network uses numerous security measures including improved digital certification.

Based on our budget, our capital investments should reach approximately R$215.51 million in 2011, R$191.60 million in 2012, R$121.73 million in 2013, R$149.89 million in 2014 and R$136.36 million in 2015.

In 2011, we will invest in new encryption techniques and digital certification, conduct market research, set security and fraud policies, develop new document creation tools and expand access to technology.

In 2012, we are planning to invest in constructing a new data center, modernizing our software and improving and increasing our agencies.

In 2013 and 2014 we are planning to invest in modernizing our software and improving and increasing our agencies.

Intellectual Property

Most of our brands are registered with the National Institute of Intellectual Property (*Instituto Nacional de Propriedade Intelectual*), or INPI, to ensure that we have their use and exclusive benefit in Brazil.

We and our subsidiaries own two main trademark registrations with the National Institute of Industrial Property (*Instituto Nacional da Propriedade Industrial*), INPI: "Banrisul," and "Banricompras."

The main domain names we own, all of which are duly registered with the relevant agency, are Núcleo de Informação e Coordenação (Brazilian Network Information Center, available at NIC.br), are bancosim.com.br, banricard.com.br, banriclube.com.br, banricompras.com.br, banrilog.com.br, banrimailing.com.br, banrisul.b.br, banrisul.com.br, banrisul-ri.com.br, banrisulcard.com.br, banrisulconsorcio.com.br, banrisulconsorcios.com.br, banrisulcorretora.com.br, banrisullogistica.com.br, banrisulri.com.br, banrisulservicos.com.br, banrisulserviços.com.br, comproutorceu.com.br, consorciobanrisul.com.br, consorciovendapremiada.com.br, corretorabanrisul.com.br, pregaobanrisul.com.br and pregaoonlinebanrisul.com.br.

Employees

General

As of September 30, 2011, we had 9,836 full-time employees. According to Brazilian law, employees applying for a position with us must pass a competitive admission exam open to the general public and widely announced in the national media. As part of our strategy of constantly increasing our long-term competitiveness, we emphasize investment in human resources. Some employees are affiliated with the Banking Union (*Sindicato dos Bancários*) and an internal association of employees. We believe we have good relations with our employees and the Banking Union.

We believe our employees are a key factor in our activities and in successfully achieving our objectives. Therefore, we focus our investments in human resources on providing constant, high-quality training to our employees. To this end, in 2010, we invested nearly R$9 million in employee training and development, for a total of 8,298 attendants.

Our monthly total for salary expenses and labor benefits is approximately R$72.4 million, as of September 30, 2011. Including expenses for holidays, the "13th month" salary bonus and employee training results, these expenses total R$92.1 million each month.

Relationship with Labor Unions

In order to comply with current legislation, to provide a positive work environment and to maintain a constant relationship with employee unions, we have historically maintained a collegial relationship with unions by prioritizing communication and working towards negotiated solutions. Our organizational structure includes executive managers responsible for focusing on relationships with employee unions.

Our permanent collective bargaining model, mutually agreed upon with the unions, exceeds statutory requirements, with its periodic meetings scheduled to discuss employment matters. In addition, we hold monthly topic-specific round-table discussions of matters including occupational health and working conditions, supplementary pension plans, compensation and outsourcing.

We recognize one of our employees as the union representative, as provided for in our Collective Bargaining Agreement, and grant to that representative the same rights as are conferred upon the leader of the union, as required by Article 543 of the Consolidated Labor Laws (CLT).

Since 2003, we have experienced strikes during the collective bargaining periods between the third and fourth quarter of each year, with no material adverse effect on our operations.

As of December 31, 2010, we had 6,079 employees who were union members. The unions include the Federation of Bank Institutions Employees of Rio Grande do Sul (*Federação dos Trabalhadores e Trabalhadoras em Instituições Financeiras – RS*), among others. Every year, the salaries paid to our employees are subject to a *negociação coletiva* (collective labor negotiation) between the labor unions and us. The salary increase for our employees in 2010/2011 was 7.5% as compared to the 2009/2010 salary.

Benefits

The benefits granted to our employees follow the market standards and the Collective Bargaining Agreement, which are transportation voucher, housing allowance, day-care and baby-sitter assistance, transportation allowance, food allowance, basic consumer products, and educational allowance.

Post-Employment Benefits

We are the principal contributor to the Banrisul Foundation, which was created to provide additional social security benefits and welfare programs to the employees of Banrisul, Banrisul Serviços, the Banrisul Foundation, and Caixa de Assistência dos Empregados do Banco do Estado do Rio Grande do Sul – CABERGS. To provide these benefits and services, the participating companies and employees make monthly contributions, which are calculated based on the monthly remuneration of employees and beneficiaries. The benefits provided by this plan cover retirement, death benefits, sick pay, disability, funeral assistance and annual bonuses.

Currently, we sponsor the following benefit plans: (i) PBI (defined benefit), which is closed for adhesions since June 17, 2009; and (ii) Banrisulprev (variable contribution). In Plan PBI (defined benefit multi-employer), its co-sponsors (Banrisul, Banrisul Serviços, the Banrisul Foundation and CABERGS) have joint responsibility. In benefit plan Banrisulprev (variable contribution), there is no joint responsibility among sponsors.

To attain its objectives, Fundação Banrisul receives monthly contributions from sponsors and from participants, calculated on the employees' monthly compensation. In September 2011, our contributions totaled increased 4.5% to R$ 9.5 million from R$ 9.1 million contributions in 2010, corresponding in September 2011 and 2010 to 3.17% and 3.51% of the employees' monthly payroll, respectively. In December 2011, Plan PBI (defined benefit) had 7,087 active participants and 5,742 assisted participants and Plan Banrisulprev (variable contribution) had 2,169 active participants and 3 assisted participants.

In November 2011, a technical shortfall (actuarial imbalance) was detected in the amount of (i) R$ 394.9 million for benefit plan I (defined benefit); and (ii) R$ 112.4 thousand for plan Banrisulprev (variable contribution).

For PBI (defined benefit), as of September 30, 2011 the remaining portion of the contracted debt (*Contrato de Assunção de Dívida*) related to this plan was R$63.9 million and as of December 31, 2010 it was R$61.2 million. This remaining debt is recorded as Other Payables. In addition to this debt, Banrisul pays 6% interest per year and the final maturity is in 2028. This interest is adjusted monthly based on the General Price Index – Domestic Availability (IGP-DI).

Currently, there are civil and labor lawsuits filed by the members and/or participants of the private pension plan. The main claims refer to supplementation of retirement pay, sickness allowance, pension pay, refund of contributions, meals allowance, allowance for exclusivity and other claims relating to defined benefit plan I. The amount involved in those lawsuits amounted R$ 529.4 million in December 2011 of which R$146.9 million had been provisioned for. The likelihood of an unfavorable outcome (exposure) in connection with such cases is detailed below.

	Provision[2]	Exposure[1]			
		Probable	Possible	Remote	Total
			(in R$ thousand)		
Claims					
Allowances	16,053	35,419	0	4,561	39,980
Allowance for exclusivity status	58,294	116,587	64,742	53,097	234,426
Staple food basket allowance	30,403	68,646	0	21,172	89,818
Fixed commission	5,996	8,565	0	0.00	8,565
Social security factor	13,321	26,643	0	252	26,8945
Overtime	7,284	14,567	0	179	14,747
Reduction in FBSS contribution	-	0	3,948	22	3,970
Resolution BERGS 1600/64	2,935	5,871	0	0	5,871
Adjustments	12,580	25,159	78,832	1,155	105,147
Total	146,865	301,457	147,521	80,439	529,418

(1) Amount in dispute for each type of request.
(2) The provision amount is based on the Banrisul Foundation's best expectation of the disbursement required to settle the present exposure.

Competition

The financial service market in Brazil, including banking services, credit cards and asset management, is highly competitive. The last several years have been characterized by increased competition and consolidation in the financial services industry in Brazil. As of September 30, 2011, there were numerous multi–service banks, commercial banks, and savings and loan, brokerage, lease and other financial institutions in Brazil. Additionally, in spite of the regulatory barriers imposed, the presence of foreign banks in Brazil, some of which have more resources than we do, has grown in recent years. This growing foreign presence has increased competition in the banking sector generally and in specific product markets. According to the data disclosed by the Central Bank on September 30, 2011, there were 139 multi-service banks, 20 commercial banks, 14 investment banks and numerous brokers, lease companies and other financial institutions in Brazil.

Banks

As a multiple-service bank focusing on retail banking, we serve individuals, public employees, and small- and medium-sized private companies, our main competitors are Banco Itaú Holding Financeira S.A. and Banco Bradesco S.A. We also face strong competition from other public sector banks, mainly Banco do Brasil and Caixa, both of which have a distribution network and customer base larger than ours. We are currently the third largest agricultural credit provide in the State of Rio Grande do Sul, but recently, Banco do Brasil has increased its agricultural loans and financing, which has created greater competition for us in this sector. We also face competition from Banco Cruzeiro do Sul S.A., Banco Bonsucesso S.A. and Banco BMG S.A. in the payroll-deduction loan sector.

Credit cards

The Brazilian credit card market is highly competitive. We believe that there are 45 credit card issuers operating in Brazil. Our main competitors in this market are Banco do Brasil, HSBC Brasil – Banco Múltiplo S.A., Banco Itaú Holding Financeira S.A. and Banco Bradesco S.A. We believe that the main competitive factors are price (interest rate, maintenance fees and merchant rates), distribution network, card acceptance and brand awareness. Though not a main competitive factor, more credit card companies now work together with other companies, especially those that offer rewards like discounts or mileage programs.

Postdated checks also represent a type of competition for credit cards, because postdated bank checks also allow the postponement of payment terms. However, we believe that in Brazil, as has already occurred in other countries, credit cards are replacing postdated checks as the primary method of extending payment terms due to the convenience, safety and increasing acceptance of credit cards.

Asset management

Our main competitors in the asset management sector are Banco do Brasil, CEF, Banco Itaú Holding Financeira S.A., Banco Santander (Brasil) S.A. and Banco Bradesco S.A. Recently, competition intensified in the institutional investment market segment. As a result, management fees in this segment have significantly decreased, while the rates of return in the retail mutual funds segment have remained stable. Consequently, a balanced participation in the retail and institutional market segments will remain a critical factor for success during the consolidation of the asset management industry.

Competition in the public sector

Our main competitors in the public sector are Banco Santander (Brasil) S.A., Banco do Brasil and CEF. Public banks offer general financial services and also assign federal resources and grant financing to municipalities through long-term lines.

Legal Proceedings

Overview

We recognize provisions for legal proceedings that have a probable risk of loss based on analysis of the likelihood of a favorable outcome. The provisioning method follows the standards issued by CMN Resolution No. 3,823, dated as of December 16, 2009 and Central Bank Circular-Letter No. 3,429, dated as of February 11, 2010, which accepted and approved the Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*), or CPC, Pronouncement No. 25 regarding provisions, liabilities, contingent liabilities and contingent assets. According to this rule, we should provision for contingencies which have a chance of loss that is greater than the chance of success. The probability analysis takes into account the alleged facts, legal precedents relevant to the claim and the experience of experts on the legal matters under dispute. Based on the opinion of our legal counsel, we recognize provisions only for contingencies with a probable risk of loss under CPC Pronouncement No. 25.

We believe that, as of September 30, 2011, our litigation provisions were sufficient to cover our expected losses from litigation matters.

The table below describes our nature, amounts involved and provisions in connection with the judicial and administrative proceedings to which we were a party as of September 30, 2011, shown according to their respective risk of loss:

	As of September 30, 2011, (Unaudited)	
	Base value	**Provisions**
	(R$ thousand)	
Tax/social security matters (administrative)	**6,593**	**6,593**
Probable	6593	6,593
Tax/social security matters (judicial)	**525,149**	**420,876**
Probable	420,753	420,876
Possible	35,838	–
Remote	175,178	–
Labor matters	**476,770**	**112,663**
Probable	103,038	103,038
Possible	228,407	9,625
Remote	142,324	–
Civil matters	**345,776**	**129,732**
Probable	129,745	129,732
Possible	21,726	–
Remote	241,917	–
Total	**1,293,649**	**669,866**

Material Proceedings

The following is a detailed description of our material legal proceedings:

Tax Matters

Our main tax contingency is related to a challenge by the Federal Revenue Service to the income and social contribution taxes related to the full deduction of expenses from the settlement of the actuarial deficit of the Banrisul Social Security Foundation in the amount of R$ 408.7 million. The tax authorities argue, based on Law No. 9,532/97, that the deduction was limited to an amount corresponding to 20% of such expenses. Therefore, they have disallowed the deduction which exceeded 20% (i.e. 80% of the settlement expenses) and they are charging the income tax and social contribution resulting from such disallowance. We, through our legal counsel, have been discussing the matter in court. According to the opinion of our legal counsel, the risk of loss is probable, and we have recorded a contingency of R$ 408.7 million.

Civil Matters

We are party to a lawsuit to dismiss four administrative procedures related to an import exchange contract in the amount of US$ 38.8 million. We believe that this transaction never occurred because we never identified the actual clients as required by law. This case is currently being heard by the Brazilian Superior Court of Justice and a decision is pending. According to the opinion of our legal counsel, the risk of loss is probable, and we have provisioned R$119.3 million in connection with this claim.

The Central Bank has initiated an administrative proceeding to investigate possible misconduct of Banrisul for non compliance with Central Bank's regulation regarding internal controls of significant marketing expenses that may expose Banrisul to reputation risks. Banrisul has filed its defense on January 13, 2012, that will be analyzed by Central Bank's. In accordance with Law No. 4,595/64, as amended, Central Bank may impose a fine or other non-pecuniary penalties. We believe that we are compliant with all applicable rules and regulations of the Central Bank, and are not a party to any relevant administrative proceedings with the Central Bank, other than as disclosed above.

MANAGEMENT

In accordance with our by-laws, we are managed by a board of directors (*Conselho de Administração*), or Board of Directors, and a board of executive officers (*Diretoria*), or Board of Executive Officers. We also have a permanent fiscal council (*Conselho Fiscal*), or Fiscal Council, and an audit committee (*Comitê de Auditoria*), or Audit Committee.

Board of Directors

Our Board of Directors is comprised of a minimum of five and a maximum of nine members. The business addresses for the members of our Board of Directors is Rua Capitão Montanha, No. 177, Porto Alegre, Rio Grande do Sul, Brazil. There are no conflicts of interests between the duties of the members of our Board of Directors and any of their respective private interests.

The members of the Board of Directors are elected at our shareholders' meeting for two-year terms, with the possibility of reelection. Members of the Board may be dismissed at any time by our shareholders through a general shareholders' meeting. The controlling shareholder, the State of Rio Grande do Sul, has the power to appoint the chairman and vice-chairman of the Board of Directors from the directors elected, but our chairman must be the Secretary of Finance of the State of Rio Grande do Sul.

The Board of Directors conducts monthly ordinary meetings and extraordinary meetings whenever considered convenient or necessary. Resolutions of the Board of Directors are approved by a majority of its members, and if there is a tie, the Chairman determines the result. We have one committee to the Board of Directors, the Audit Committee. See "Management—Audit Committee."

According to our by-laws, the Board of Directors is responsible for, among other things:

- establishing guidelines for our activities;
- overseeing the conduct of our Executive Officers conduct, examining books and records, requesting information about contracts;
- providing an opinion on our guarantees, when the amount is greater than 5% of our net income;
- approving the maximum debt limits for clients and economic groups based on a percentage of our net income; and
- appointing and removing members of the Audit Committee.

Set out below are the names, positions, dates of appointment, terms of office and brief biographical descriptions of the members of the Board of Directors as of the date hereof.

Name	Position	Date of Appointment	Expiration of Appointment
Odir Alberto Pinheiro Tonollier	Chairman	April 29, 2011	March, 2013
Túlio Luiz Zamin	Vice Chairman	April 29, 2011	March, 2013
Flávio Luiz Lammel	Member	April 29, 2011	March, 2013
Aldo Pinto da Silva	Member	April 29, 2011	March, 2013
Erineu Clóvis Xavier	Member	April 29, 2011	March, 2013
Estilac Martins Rodrigues Xavier	Member	April 29, 2011	March, 2013
Olívio de Oliveira Dutra	Member	April 29, 2011	March, 2013
Dilio Sergio Penedo	Member	July 6, 2011	March, 2013
Francisco Carlos Bragança de Souza	Member	July 6, 2011	March, 2013

Odir Alberto Pinheiro Tonollier. Mr. Tonollier holds a degree in economics from the Catholic University of Pelotas and has completed a specialization course in finance from the Federal University of Rio Grande do Sul. Mr. Tonollier was a Parliamentary Assistant at the Legislative Assembly of Rio Grande do Sul (2007 to 2010), was the Deputy Secretary of Finance of the State of Rio Grande do Sul (2001 to 2002), the Secretary of Finance of the Municipality of Porto Alegre (1998 to 2000) and of the Audit Court (1985). Mr. Tonollier has participated as a speaker in the following courses and conferences: Intergovernmental Fiscal Relations Course at the School of Finance Administration (ESAF), in Brasília, DF; Experiences in Participatory

Budgeting in Porto Alegre; Urban and City Management Program at the International Seminar of the World Bank Institute in Toronto, Canada and the Urban and City Management Program at the University of Buenos Aires (2000); Public Administration and Participative Democracy at the School of the Government of Minas Gerais at the João Pinheiro Foundation in Belo Horizonte, Minas Gerais; Public Policies and Social Participation at the School of Finance Administration in Porto Alegre, Rio Grande do Sul (2005); *II Encuentro Nacional de Presupuestos Participativos* (ENPP) at Córdoba, Argentina (2009); *Participación Internacional - uma Argentina para todos e Jornada sobre Participación Ciudadana y Gobiernos Locales* (2009); *Los Desafíos de I Participación Ciudadana: Estado, Sociedad y Políticas Públicas - Instituto Municipal de Estudios Sociales* (IMES) in Zárate, Buenos Aires.

Túlio Luiz Zamin – Mr. Zamin holds a bachelor's degree in accounting from the Pontifical Catholic University of Rio Grande do Sul (1982). Mr. Zamin was the Chief of Staff of the Municipal Government of Gravataí (July 2009 to December 2010), Chief Market Relations Officer at *Vipal Financeira S.A. - Crédito, Financiamento e Investimento* (October 2007 to April 2009), Chief Commercial Officer at *Paludo Participações S.A.* (May 2007 to April 2009), Municipal Secretary of Finance of São Leopoldo (January 2005 to April 2007), Chief Executive Officer of the Public Transportation and Circulation Corporation of the Municipality of Porto Alegre (EPTC) (April 2003 to December 2004), Chief Executive Officer of *Banco do Estado do Rio Grande do Sul S.A.* (July 2000 to March 2003), Substitute State Finance Secretary, with added responsibility as Director-General (January 1999 to July 2000), Chief Executive Officer of *Companhia Carris Porto-Alegrense* (January 1995 to December 1998), Substitute Finance Secretary of the Municipality of Porto Alegre (March 1992 to December 1994), Inspection Agent at the State Treasury - Ministry of Finance of Rio Grande do Sul (March 1996), Internal Auditor at *Farol S.A. Indústria Gaúcha de Farelos e Óleos*, Fiscal Council Member at *Petrobras* (March 2003 to January 2011), Vice Chairman of the Board of Directors of *Banrisul* (July 2000 to March 2003), Member of the Board of Directors of *DETRAN* (June 1999 to January 2000), Member of the Fiscal Council of *Banrisu l*(April 1999 to October 1999), Alternate Member of the Board of Directors of *BRDE* (April 1999 to March 2001), Alternate Member of the Fiscal Council of *Banrisul S/A Corretora de Valores Mobiliários e Câmbio* (March 1988 to April 1991) and Fiscal Council Member at *Distribuidora de Valores do Estado do Rio Grande do Sul* (April 1987 to April 1989).

Flávio Luiz Lammel – Mr. Lammel holds a bachelor's degree in accounting from the University of Passo Fundo (UPF). Mr. Lammel was the Managing Director of the Institute of Health and Welfare for Municipal Employees (ISAM) (2008 to February 2011), Vice President and President of the Federation of Associations of the Municipalities of Rio Grande do Sul (FAMURS) (2005 to 2006 and 2007 to 2008), Vice President and President of the Association of Municipalities of *Alto da Serra of Botucaraí* (AMASBI) (2006 to 2007, 2005 to 2006, and 2007 to 2008), President of the Municipality Gaúcha Association (AGM) (2003 to 2004), Vice President of the Association of Municipalities of Alto Jacuí (AMAJA) (2003 to 2004), Mayor of *Victor Graeff* (2001 to 2008) and the Chief of Staff of the Legislative Assembly of Rio Grande do Sul (1994 to 2000). Furthermore, he has participated in the IV and V National Seminar on Political, Social and Economic Studies of the University of Passo Fundo, the II Seminar on Political Marketing at ADVB, the I Seminar on Public Administration (AGM), Porto Alegre, the Presidency and Internal Control in Public Administration at TCE, the Internal Control Systems study course at AMAJA and Seminar on new public administration guidelines and International Law Seminar at UPF.

Aldo Pinto da Silva – Mr. Silva holds a degree in Agricultural Engineering from the Federal University of Rio Grande do Sul. Mr. Silva was the Supervisory Agronomist at the Ministry of Agriculture, Executive Secretary at *Cooperativa Tritícola Palmeirense Ltda*., member of the Deliberative Board of the Agricultural Society of Rio Grande do Sul, State Deputy from 1974 to 1978, having presented important law projects, such as the micro-companies and work cooperatives legislation, author of the legislative decree on forms of government and systems, Federal Deputy for two terms, State Secretary of Agriculture State of Rio Grande do Sul from 1990 to 1994. Mr Silva has been retired from Federal Public Service since 1996.

Erineu Clóvis Xavier – Mr. Xavier holds both an accounting degree and a MBA in Business Administration from the University of Passo Fundo (UPF). He has also attended additional courses, such as the Strategy and Politics Study Cycles, sponsored by the Association of Graduates from War Scholl - Passo Fundo (August - November 1990), the Internal Audit Seminar (July, 1980), the Financial Management course (1978), promoted by the Chamber of Shop Owners and the Commercial and Industrial Association of Carazinho – RS, the VII National Seminar on Law (1977), sponsored by the Center for Legal Studies from Guanabara, RJ, the Intensive Course on Business Administration (1971), sponsored by the University of Passo Fundo, the Leadership Training Course (1965), sponsored by the Institute for Community Development, in Sao Leopoldo - RS. Mr. Silva is also the Owner and Technical Director of *Auditter Auditores Associados S/S Ltda*., the Owner and Managing Partner of *Stratégya Organizações Contábeis S/S Ltda*. He is also an Independent Auditor and

Certified Accountant. He has been Professor of Accountancy at the UPF, since August 1991, as well as an effective Board Member at the University of Passo Fundo Foundation, with office until July 10, 2011, and Board Member of CRC/RS (regional accounting council), with office until December, 31, 2013.

Estilac Martins Rodrigues Xavier – Mr. Xavier holds both a degree in Electrical Engineering and a Master (specialization) degree in Power Systems from the Federal University of Santa Maria, as well as a degree in Law and Social Sciences from the Federal University of Rio Grande do Sul. Mr. Xavier was the Works and Transportation Municipal Secretary in Porto Alegre, from 1993 to 2000. He was elected alderman in the State's capital city (2000), as well as to the Legislative Assembly (2002). Mr. Xavier was also chief of staff of the Special Advisory Cabinet of the Presidency of the Republic of Brazil (2008). He has been a member of the Audit Committee of *CaixaPar,* since 2010, and currently holds the position of Secretary General of the State Government of Rio Grande do Sul.

Olívio de Oliveira Dutra – Mr. Dutra holds a degree in Literature from the Federal University of Rio Grande do Sul. Mr. Dutra is a former Banrisul employee, having joined the bank in 1961, now retired. He was also the chairman of the Union of Banking Workers (1975), Federal Deputy (1986 to 1988), Mayor of the city Porto Alegre (1988 to 1992), Governor of the State of Rio Grande do Sul(1998 to 2002) and Minister for the Cities (2003 to 2005).

Dilio Sergio Penedo – Mr. Penedo holds a degree in electronic and electrical engineering from the Polytechnic School of the Catholic University of Rio de Janeiro, with a specialization in Telecommunications from the Centre National D'Études des Télécommunications - CNET de Paris, France and from the Center of Telecommunications Studies at PUC-RJ. He has held various positions in the public and private sector, such as engineer at Embratel (1968-1974), technical director at the Telecommunication Company of Bahia (1974-1985), vice-chairman and technical director at the Telecommunication Company of São Paulo (1985-1987), chairman at Telemulti S/A (1987-1992), superintendent-director at Nife Brasil Electrics Systems (1992-1995), superintendent-director at Indelsul-Saft Equipments Electrics Limited (1992-1995), executive chairman at Nife Argentina (1992-1995), general-manager for the South America region at SAFT-Group Alsthom (1992-1995), chairman at Embratel (1995-2000), chairman at Embratel Participators S/A (1999-2002), Member of the Board of Directors at Tupy S/A (1996 2002) and at Embratel.

Francisco Carlos Bragança de Souza – Mr. Souza holds a degree in Civil Engineering from Universidade Federal do Rio Grande do Sul - UFRGS, with a doctorate in Environmental Management, professor of IPH/UFRGS, associate professor at LASTRAN UFRGS, President PDPH/UFRGS, engineering professor at PUC-RS (1987), Coordinator of the Specialized Chamber of Civil Engineering - CREA-RS (1991-1992), Coordinator of the Specialized Chamber of Civil Engineering - CONFEA (1992), Director of CREA-RS, Chairman of the Supervisory Board of the State Utility Company - CEEE (1992 -1994), Vice-President of SERGS (1999), Advisor to CONSEMA - RS (2002), Advisor to COMTU - City of Porto Alegre (2002), Vice-President of CREA-RS (2005), Director of METROPLAN (2002-2006), Director of Ports RS - SPH (2007).

Audit Committee

In accordance with Resolution No. 3,198 of the CMN, we have implemented an Audit Committee as an advisory body to the Board of Directors. The Audit Committee consists of three active members appointed by the Board of Directors for a one-year term of office, with the possibility of reelection of up to one year.

The Audit Committee's responsibilities include, among others:

- recommending the hiring and substitution of our independent auditors;
- reviewing, prior to publishing, our financial statements, including the notes thereto, the management's report and the independent auditors' report;
- evaluating the efficiency of the internal and external audits, including the compliance with applicable rules and statutes;
- establishing and disclosing whistle blowing procedures; and
- recommending, to the Board of Executive Officers, corrections or improvements to policies, processes and procedures, and oversee the fulfillment of these recommendations.

Set out below are the names, positions, dates of appointment and brief biographical descriptions of the members of the Audit Committee as of the date hereof.

Name	Position	Date of Appointment	Expiration of Appointment
João Acir Verle	Qualified Member	June 27, 2011	June 27, 2012
Orion Herter Cabral	Member	June 27, 2011	June 27, 2012
Valdir Heck	Member	June 27, 2011	June 27, 2012

João Acir Verle – Mr. Verle is an independent member of the Audit Committee. He has a bachelor's degree in economics from the Federal University of Rio Grande do Sul (UFRGS) and a graduate degree in economics from Universidad de Chile. He has held the following positions: Professor (Public Sector Economics) at University of Vale do Rio do Sinos (UNISINOS) (1970-1989), State Public Servant, retired (Tax Court of the State of Rio Grande do Sul - TCE), City Councilman of Porto Alegre (1989-1992; 1993-1996 and 1997-2000). Mr. Verle took leave during the following periods to dedicate himself to the following positions: Municipal Secretary of Finance of Porto Alegre (January 1989-March 1992), Director General of the Porto Alegre Municipal Housing Department (January 1997-December 1998); Chairman of Banco do Estado do Rio Grande do Sul S/A (March 1999-May 2000); Vice-Mayor of Porto Alegre (January 2001-March 2002), Mayor of Porto Alegre (April 2002-December 2004) and Member of the Audit Committee of CEF (June 2007-May 2011).

Orion Herter Cabral – Mr. Cabral is an independent member of the Audit Committee. He has undergraduate (1955-1960) and graduate (1964-1965) degrees in chemical engineering from the School of Engineering of the Federal University of Rio Grande do Sul (UFRGS), and has completed specialization courses in Macroeconomics and Inflation Theory (1987) and Kalech Macroeconomic Theory (1988) at BRDE. He has held the following positions: Administrator of Parobé Technical School (April 1960-October 1962); Professor at the School of Engineering of UFRGS (April 1967-December 1997), at the Pontifical Catholic University of Rio Grande do Sul (PUC) (1978-1988) and the graduate course in Urbanism at the Lutheran University of Brazil (ULBRA) (1985 and 1986); Engineer at Worthington S/A Máquinas, in Porto Alegre (May 1961-November 1961), S/A Moinhos Riograndense, Esteio-RS (November 1961-April 1962), Technical Advisor to the Gerdau Group (May 1971-January 1972), Development Technician at Banco Regional de Desenvolvimento do Extremo Sul (BRDE) (1967-2000), Executive Director of the Science and Technology Foundation (CIENTEC) (1972-1975), "Dry Port" Project Manager for the Porto Alegre Town Hall (1975-1984), Minister of Finance of the State of Rio Grande do Sul (1991-1994), Financial Assistant at ULBRA (2000) and Member of the State Councils of Education of Rio Grande do Sul (1994-1997), Regional Council of Engineering and Architecture (CREA) (1969-1972), Governing Council of the Association of Chemical Engineers of Rio Grande do Sul (1970-1976), Director of the Brazilian Association of Chemical Engineering of Rio Grande do Sul (1975-1976) and Chairman of the Professional Association of Chemical Engineers of Rio Grande do Sul (since 2007).

Valdir Heck – Mr. Heck is an independent member of the Audit Committee. He has a bachelor's degree in letters with qualification to teach elementary school students (*licenciatura curta*), from the Faculty of Philosophy, Sciences and Letters of Ijuí (FAFI), and has held the following positions: Vice-Mayor of Ijuí, RS (1982-1986), Mayor of Ijuí (1989-1992; 2001-2004; and 2005-2009), Substitute Secretary and Director General of the state's Public Works Ministry; State Deputy (1994-1998); Vice-Chairman of the Commercial and Industrial Association of Ijuí; Chairman of the Association of Professors of the 25 de Julho Industrial Vocational School; Regional Head of the Press Association of Rio Grande do Sul; Vice-Chairman of the Infrastructure Commission of the Wandley Burman Exposition Park, in Ijuí; Chairman of the Association of Mayors of the Middle Plateau Region; Member of the Board of Directors of the Rural Electrification Cooperative (Ceriluz); Administrative Officer of the 25 de Julho Cultural Center of Ijuí and the Rio Grande do Sul Association of Radio and Television Stations (Agert).

Board of Executive Officers

We are managed by a Board of Executive Officers comprised of a chairman, vice-chairman and up to seven Officers, one of which is responsible for our third-party asset management board. The Executive Officers are elected for three-year terms of office by the members of the Board of Directors. The chairman and the vice-chairman must be chosen from the members of the Board of Directors.

The Board of Executive Officers will ordinarily meet on a weekly basis and extraordinarily, whenever called. The Resolutions of the Board of Executive Officers will be passed upon approval of the majority of its members, and in case of a tied decision, the chairman's vote determines the result.

The Board of Executive Officers is responsible for, among other things:

- approving and amending our internal rules;
- creating or terminating our branches, offices and other service units, in Brazil or abroad;
- establishing our general operational rules;
- creating and reviewing our annual planning; and
- approving the establishment of encumbrances over our property.

Set forth below are the names, positions, dates of appointment, terms of office and brief biographical descriptions of our executive officers as of the date hereof.

Name	Position	Date of Appointment	Expiration of Appointment
Túlio Luiz Zamin	chairman	March 4, 2011	April, 2013
Flavio Luiz Lammel	Vice-chairman	March 4, 2011	April, 2013
Guilherme Cassel	Officer	March 4, 2011	April, 2013
João Emílio Gazzana	Chief of Investors Relationship Officer	March 4, 2011	April, 2013
Ivandre de Jesus Medeiros	Officer	March 4, 2011	April, 2013
Jone Luiz Hermes Pfeiff	Officer	March 4, 2011	April, 2013
Julimar Roberto Rota	Third-Party Asset Management Officer	March 4, 2011	April, 2013
Luiz Carlos Morlin	Officer	March 4, 2011	April, 2013
Joel dos Santos Raymundo	Chief of Information Technology Officer	August 8, 2011	April, 2013

Túlio Luiz Zamin – Mr. Zamin holds a bachelor's degree in accounting from the Pontifical Catholic University of Rio Grande do Sul (1982). Mr. Zamin was the Chief of Staff of the Municipal Government of Gravataí (July 2009 to December 2010), Chief Market Relations Officer at *Vipal Financeira S.A. - Crédito, Financiamento e Investimento* (October 2007 to April 2009), Chief Commercial Officer at *Paludo Participações S.A.* (May 2007 to April 2009), Municipal Secretary of Finance of São Leopoldo (January 2005 to April 2007), Chief Executive Officer of the Public Transportation and Circulation Corporation of the Municipality of Porto Alegre (EPTC) (April 2003 to December 2004), Chief Executive Officer of *Banco do Estado do Rio Grande do Sul S.A.* (July 2000 to March 2003), Substitute State Finance Secretary, with added responsibility as Director-General (January 1999 to July 2000), Chief Executive Officer of *Companhia Carris Porto-Alegrense* (January 1995 to December 1998), Substitute Finance Secretary of the Municipality of Porto Alegre (March 1992 to December 1994), Inspection Agent at the State Treasury - Ministry of Finance of Rio Grande do Sul (March 1996), Internal Auditor at *Farol S.A. Indústria Gaúcha de Farelos e Óleos*, Fiscal Council Member at *Petrobras* (March 2003 to January 2011), Vice Chairman of the Board of Directors of *Banrisul* (July 2000 to March 2003), Member of the Board of Directors of *DETRAN* (June 1999 to January 2000), Member of the Fiscal Council of *Banrisu l*(April 1999 to October 1999), Alternate Member of the Board of Directors of *BRDE* (April 1999 to March 2001), Alternate Member of the Fiscal Council of *Banrisul S/A Corretora de Valores Mobiliários e Câmbio* (March 1988 to April 1991) and Fiscal Council Member at *Distribuidora de Valores do Estado do Rio Grande do Sul* (April 1987 to April 1989).

Flávio Luiz Lammel – Mr. Lammel holds a bachelor's degree in accounting from the University of Passo Fundo (UPF). Mr. Lammel was the Managing Director of the Institute of Health and Welfare for Municipal Employees (ISAM) (2008 to February 2011), Vice President and President of the Federation of Associations of the Municipalities of Rio Grande do Sul (FAMURS) (2005 to 2006 and 2007 to 2008), Vice President and President of the Association of Municipalities of *Alto da Serra of Botucaraí* (AMASBI) (2006 to 2007, 2005 to 2006, and 2007 to 2008), President of the Municipality Gaúcha Association (AGM) (2003 to 2004), Vice President of the Association of Municipalities of Alto Jacuí (AMAJA) (2003 to 2004), Mayor of *Victor Graeff* (2001 to 2008) and the Chief of Staff of the Legislative Assembly of Rio Grande do Sul (1994 to 2000). Furthermore, he has participated in the IV and V National Seminar on Political, Social and Economic Studies of the University of Passo Fundo, the II Seminar on Political Marketing at ADVB, the I Seminar on Public Administration (AGM), Porto Alegre, the Presidency and Internal Control in Public Administration at TCE, the Internal Control Systems study course at AMAJA and Seminar on new public administration guidelines and International Law Seminar at UPF.

Guilherme Cassel – Mr. Cassel holds a degree in civil engineering from the Federal University of Santa Maria and a specialization course on Human Resource Management from the Federal University of Rio Grande do Sul. Mr. Cassel was State Minister of Agrarian Development (June 2006 to January 2011), Executive

Secretary to the Ministry of Agrarian Development (2003 to 2006), Chief of Staff of the Vice Governor of Rio Grande do Sul and Secretary General of Government (2002), Deputy Chief of Staff and Assistant Chief of Staff (1999 to 2001), Chief of Staff of the Legislative Assembly of Rio Grande do Sul (1991 to 1998), Substitute Secretary and Director General of the Municipal Finance Department (1989 to 1990), and through public exam, Inspection Agent of Treasury at the Ministry of Finance (1982 to 1989), member of the Board of Directors of the Data Processing Company of the Municipality of Porto Alegre (PROCEMPA/POA) (1989 to 1990), Fiscal Council member of *Banrisul S/A Corretora de Valores Mobiliários e Câmbio* (1999 to 2003), Fiscal Council member of the Brazilian Emergency Energy Trading Company (CBEE) (2003), member of the Board of Foreign Trade (CAMEX) (2006) and Chairman of the Board of Directors of *Petrobras Biocombustível S/A* (PBIO) (2010 for a one-year term).

João Emílio Gazzana – Mr. Gazzana holds a degree in economics from the Federal University of Rio Grande do Sul (UFRGS) and has also completed a full-time specialization course on Foreign Trade at CENDEC/IPEA in Brasília-DF, as well as a master's degree in Urban Development from the University of London - Institute of Latin American Studies. Mr. Gazzana was the Director of Asset Management at *Banco do Nordeste do Brasil S.A.* - Fortaleza-CE (September 2003 to January 2011), as well as the Chief Financial Officer of the banks *Banrisul* (August 1987 to January 1991 and April 1999 to March 2003), *Banco Sul Brasileiro S/A* (1991 to 1997), *Sulbrasileiro S/A - Distribuidora de Títulos e Valores Mobiliários* - Porto Alegre (August 1981 to February 1985). He was also the Director of *Meridional S/A Corretora de Títulos e Valores Mobiliários* (January 1991 to December 1997), Superintendent of the Funding and Open Market Department at *Banco Meridional* (November 1985 to August 1987), Technical Assistant at the Trade Promotion Sector of the Brazilian Embassy in England (February 1977 to December 1978). Mr. Gazzana was a Professor of Economics and of Post-graduate courses in Auditing and Inspection and in Finance Administration at the Pontifical Catholic University of Rio Grande do Sul (PUCRS) (August 1987 to September 2003), as well as a member of the Faculty of Accounting and Administration at the *Instituição Educacional São Judas Tadeu* (1971 to 1976 and 1980 to 1987).

Ivandre de Jesus Medeiros – Mr. Medeiros holds a degree in business administration from the Lutheran University of Brazil (ULBRA) and has also completed a specialization course in public administration from the Federal University of Rio Grande do Sul (UFRGS). Mr. Medeiros was the Chief Coordinator of Staff at the Federal Senate (2007 to February 2011), as well as the Chairman of the Board of the Solon Tavares Institute for Studies and Research (2008 to February 2011), Member of the Board of Directors of *Companhia de Processamento de Dados do Estado do Rio Grande do Sul* (PROCERGS) (2007 to February 2011), General Superintendent, Coordinator and Head of Staff of the Legislative Assembly of Rio Grande do Sul (2001 to 2002). He was also a civil servant at the Court of Rio Grande do Sul (May 2007 to February 2011) and a clerk at *Banco Bradesco* (1985 to 1986) and *Banco do Brasil* (1986 to 1987).

Jone Luiz Hermes Pfeiff – Mr. Pfeiff holds a degree in bank management and has completed a specialization course in Bank, Business and Finance Management from the Lutheran University of Brazil (ULBRA). Mr. Pfeiff was the Manager of Branches and Regional Superintendent of *Banrisul S/A* (1977 to 2008), as well as the Retail Commercial Officer at *GETNET Technologia Ltda*. (July 2008 to February 2009) and Chief Commercial and Financial Officer at *Drogarias Capilé Ltda*. (2009).

Julimar Roberto Rota – Mr. Rota holds a both degree in business administration and in accounting from the Porto-Alegrense College of Accounting and Administration (FAPA), and has attended specialization courses on bank administration at ASBACE/DF in 1989, on corporate finance at the Getúlio Vargas Foundation in 1998 and on hospital management at the National School of Public Health of the Oswaldo Cruz Foundation in 2008. Mr. Rota has been the Finance Manager and Internal Audit Manager at the Conceição Hospital Group, since 2003, as well as of *Banco do Estado do Rio Grande do Sul S.A. – Banrisul*, currently assigned to the Ministry of Health as Head of the Finance Department/Executive Superintendent of the Finance Unit (2000 to 2003). He was also the Funding Operations Manager at the Finance Department (1996 to 1999), Open Market Operator at the Finance Department (1991 to 1995 and 1981 to 1982), Office Assistant at *Indústria Luchsinger Madörin S.A. - Adubos Trevo* (1977 to 1979), Clerk and Apprentice at *Banco do Brasil* (2002 to 2003), Managing Director at *CRP Companhia Riograndense de Participações* (August 2001 to August 2003). Mr. Rota has also served as a member of the Board of Directors of Interbank Payment Chamber (CIP) (1997 to 1999 and 2002 to 2004), as well as member of the Board of Directors and the Fiscal Council of *Cooperativa de Crédito Mútuo dos Empregados do Banrisul Ltda*. (Banricoop) (2000 to 2003). Mr. Rota is a former member of the Public Sector Affairs Committee at FEBRABAN (2002 to 2003). He was a professor of the Technical Courses in Foreign Trade in the Finance and Budget Management Administration program at YMCA of Porto Alegre (2002 to 2003), as well as a professor at the Pontifical Catholic University of Rio Grande do Sul -

(PUC/CENPEC) in the SPB - Brazilian Payments System course, the Understanding the Financial Markets course, the Personal Finance Planning course, the Financial and Capital Markets Management course.

Luiz Carlos Morlin – Mr. Morlin holds degrees in accounting and business administration from the University of Vale dos Sinos (UNISINOS), and has completed specialization courses in the 'Brazilian Law of Corporations - Legal and Accounting Aspects' from the Federal University of Rio Grande do Sul and in accounting from the Getúlio Vargas Foundation. Mr. Morlin was an Audit Assistant at *Banco Meridional* (March 1977 to December 1977), as well as the Executive Manager of the Accounting Unit (April 1996 to March 1999), Executive Superintendent of the Accounting Unit (April 1999 to February 2011) and Vice-Chairman of the Board of Trustees (now Advisory Board) of the Banrisul Foundation (January 2001 to April 2003).

Joel dos Santos Raymundo – Mr. Raymundo graduated with a degree in architecture from the University of Vale dos Sinos - UNISINOS in 1985, a masters in Building Engineering from the Pontificia Universidade Católica do Rio Grande do Sul - PUCRS and an MBA degree in Project Management, emphasis on PMI (Project Management Institute) methodology (Fundação Getúlio Vargas). He has also held the following positions at Banrisul: head of the Architectural, Project and Construction Department (March/1991 to September/1995); Corporate Management Superintendent (May/1999 to June/2002), Chief Information Officer (June/2002 to March/2003), Technical Advisor to the Secretary of Development and International Affairs of the State of Rio Grande do Sul (December 1998 to May/1999), CEO of the city of Porto Alegre's Data Processing Company - PROCEMPA (March/2003 to December/2004), Chairman of the Board of Banrisul's Employees Health Care Association - CABERGS (2001 to May/2003); Director of the Center for the Excellence in Advanced Electronic Technology - CEITEC (March/2003 to December/2004), Director of the Municipal Council of Science and Technology - COMCET (March/2003 to December/2004), and Director of Banrisul Serviços Ltda., a Banrisul's subsidiary company (March/ 2011 to Augusto/2011). Banrisul's Chief Information Officer since September 1, 2011.

Fiscal Council

The Fiscal Council is comprised of five active members and five alternate members, appointed at our annual shareholders' meeting, and their term office lasts until the following annual shareholders' meeting.

According to our by-laws, the Fiscal Council's is responsible for examining and providing opinions on matters delegated to it by the Board of Directors and the Board of Executive Officers and to exercise other powers provided by the Brazilian Corporate Law.

The Fiscal Council conducts monthly ordinary meetings and extraordinary meetings whenever considered convenient or necessary, requiring a minimum quorum of three members. The resolutions of the Fiscal Council are passed upon approval of the majority of its members.

Set forth below are the members of the Fiscal Council and their respective positions and dates of appointment as of the date hereof.

Name	Position	Date of Appointment
Cláudio Morais Machado	Chairman	April 29, 2011
André Luiz Barreto de Paiva Filho	Member	April 29, 2011
Rubens Lahude	Member	April 29, 2011
João Victor Oliveira Domingues	Member	April 29, 2011
Irno Luiz Bassani	Deputy	April 29, 2011
Aniger Lorena Ribeiro de Oliveira	Deputy	April 29, 2011
Flávio José Helmann da Silva	Deputy	April 29, 2011
Felipe Rodrigues da Silva	Deputy	April 29, 2011

Compensation

The Brazilian Corporate Law provides that it is the responsibility of our shareholders to set the individual or overall management compensation amount at each annual shareholders' meeting. Whenever this amount is set on an overall basis, the Board of Directors will decide on the manner of allocating it among its members, the Board of Executive Officers, the Fiscal Council and the Audit Committee.

The table below sets out the overall management compensation for the nine-month period ended September 30, 2011 and 2010 and the years ended December 31, 2010, 2009 and 2008.

	As of September 30,		As of December 31,		
	2011	2010	2010	2009	2008
			(R$ thousand)		
Board of Directors	369	307	445	329	67
Board of Executive Officers	1,495	1,797	3,091	1,968	1,433
Fiscal Council	247	227	328	310	98
Audit Committee	93	272	393	372	-

The following table sets out the highest, lowest and average individual compensation of the Board of Executive Officers for the nine-month period ended September 30, 2011 and the years ended December 31, 2010, 2009 and 2008.

	As of September 30,	As of December 31,		
	2011	2010	2009	2008
		(R$ thousand)		
Lowest individual compensation	272	385	85	68
Highest individual compensation	302	413	277	235
Average individual compensation	277	386	245	179

See also “Business—Employees” for more information regarding employee benefit plans we offer.

PRINCIPAL SHAREHOLDERS

We are a mixed-capital company, and we became a corporation (s*ociedade por ações*) on September 12, 1928, according to Rio Grande do Sul State Law No. 459 of June 18, 1928, regulated by State Decrees No. 4079, 4100, 4102 and 4139 of June 22, July 21, July 26, and September 6, 1928, respectively. As per Rio Grande do Sul State Law No. 6223 of June 22, 1971, the interest held by the State of Rio Grande do Sul cannot be lower than 51% of the total voting shares. Under Article 22 of the Rio Grande do Sul State Constitution, the general population of the State can make an amendment to this rule, by means of a referendum.

As of September 30, 2011, we had 175,966,062 shares outstanding (843,506 common shares, 905,769 Class A preferred shares and 174,216,787 Class B preferred shares), totaling R$2,814 million in capital stock, all of which was fully paid up as of such date. Our controlling shareholder is the State of Rio Grande do Sul, which held, as of September 30, 2011, directly or indirectly, 56.97% of our total capital stock (99.59% of our total voting capital stock). There have been no changes to our controlling shareholder stockholding (direct or indirect) since September 30, 2011.

Brazilian regulations and our bylaws have measures in place to try to limit the abuse of power of the controlling shareholder and to protect minority shareholders.

The following table sets out the principal shareholders of our common and preferred stock, on a percentage basis, as of September 30, 2011:

	As of September 30, (Unaudited)							
			Preferred Shares					
Shareholders	**Common Shares**		**Class A**		**Class B**		**Total Shares**	
	Shares	**%**	**Shares**	**%**	**Shares**	**%**	**Shares**	**%**
				(*in thousands*)				
State of Rio Grande do Sul.....	204,200	99.59%	2,721	75.03%	26,087[1]	13.02%	233,008	56.97%
SKAGEN AS[2].....	-	-	-	-	29,558	14.76%	29,558	7.23%
Others[3]…….……..	843	0.41%	906	24.97%	144,659	72.22%	146,408	35.80%
Total……..	205,043	100.00%	3,627	100.00%	200,304	100.00%	408,974	100.00%

(1) 7,222 of these shares were pledged by the State of Rio Grande do Sul in favor of BNDES pursuant to a facility agreement in the amount of R$15.0 million, dated as of September 27, 2010.
(2) SKAGEN AS is a Norwegian investment fund.
(3) Includes all shareholders, excluding the shares owned by State of Rio Grande do Sul and other shareholders required to disclose their shareholding pursuant to CVM Instruction No. 358.

The following table sets forth the number of shares held by our shareholders as of the date of these listing particulars:

	As of September 30, (Unaudited)							
			Preferred Shares					
Shareholders	**Common Shares**		**Class A**		**Class B**		**Total Shares**	
	Shares	**%**	**Shares**	**%**	**Shares**	**%**	**Shares**	**%**
				(*in thousands*)				
State of Rio Grande do Sul.....	204,200	99.59%	2,721	75.03%	26,087[1]	13.02%	233,008	56.97%
Banrisul Foundation[2]	449	0.22%	159	4.38%	0	0.00%	608	0.15%
Social Security Institute of the State of Rio Grande do Sul	45	0.02%	169	4.65%	0	0.00%	214	0.05%
Free Float.....	349	0.17%	578	15.94%	174,217	86.98%	175,144	42.83%
Total.....	205,043	100.00%	3,627	100.00%	200,304	100.00%	408,974	100.00%

(1) 7,222 of these shares were pledged by the State of Rio Grande do Sul in favor of BNDES pursuant to a facility agreement in the amount of R$15.0 million, dated as of September 27, 2010.
(2) Affiliates of the controlling shareholder.

Dividend Policy

Under the Brazilian Corporate Law the shareholders of a company have the right to receive a minimum dividend payment during each fiscal year from the company's net income. The corporate by-laws of a corporation (*sociedade por ações)* may establish that the dividend be a percentage of the profit or the

shareholders equity. Alternatively, under the Brazilian Corporate Law, if the by-laws do not establish a minimum dividend payment, the compulsory dividends may not be less than 25% of net income.

According to our corporate by-laws, we must declare and pay dividends in an amount equal to or greater than 40% of the adjusted net income for the previous fiscal year with 15% payable on common shares and 25% payable on preferred shares.

The table below sets out the amount declared to shareholders in dividends and interest on shareholders' equity for the periods indicated.

	As of December 31,		
	2010	**2009**	**2008**
		(*R$ thousand*)	
Common Shares			
Dividends	44,253	13,231	19,316
Interest on shareholders' equity	102,694	94,754	84,455
Preferred Shares A			
Dividends	871	273	364
Interest on shareholders' equity	1,896	1,813	1,636
Preferred Shares B			
Dividends	43,221	12,911	18,848
Interest on shareholders' equity	100,268	92,458	82,407
Income Tax Withheld at Source	**(11,531)**	**(9,824)**	**(10,561)**

RELATED-PARTY TRANSACTIONS

We provide banking services to the State of Rio Grande do Sul, our controlling shareholder, as well as to other public entities. See "Business—Our Activities."

Article 115 of the Brazilian Corporate Law prohibits our shareholders from voting in deliberations related to a valuation report such as those which approve capital stock increases, our management's accounts, or any other matters that may benefit our shareholders, or in which they have an interest contrary to ours. Additionally, our management is prohibited from participating in any decision in which they have interests contrary to ours, under the terms of Article 156 of the Brazilian Corporate Law.

Pursuant to the Banking Reform Law and Law No. 7,492 dated June 16, 1986, financial institutions cannot grant loans or advances to nor guarantee the operations of their controlling shareholders, related or affiliated companies, managers or their relatives, or companies in which such persons hold more than 10% of the capital stock. Accordingly, we have not given any loans or advances to such persons. We also do not provide, and have not provided in the last three fiscal years ended December 31, 2006, any guarantees to related parties. For more information on these restrictions, see "Regulation of the Brazilian Banking Industry—Limitations and Restrictions on Financial Institutions." However, all members of our management have checking and savings accounts with us and may use our banking services other than lending operations. For further information on our related party transactions, please see note 25 to our consolidated financial statements as of and for the nine-month period ended September 30, 2011 included elsewhere in these listing particulars.

Transactions with the State of Rio Grande do Sul

Rio Grande do Sul State Government

On June 29, 2007, we entered into Cooperation Agreement No. 1959/ 2007 with the Rio Grande do Sul State Government, under which we will provide the Rio Grande do Sul State Government, on an exclusive basis and for a five-year period, with banking services related to the payment of active and inactive servants, lifetime and special pensioners, members of the Executive Branch (Direct Administration), and pensioners (Social Security of the Rio Grande do Sul State), or IPERGS. We also have the right to offer payroll loans. Under this agreement we released the Rio Grande do Sul State Government from costs related to the provision of banking services.

We also provide services related to financial transfers by government departments for amounts related to social programs, and we update information related to inactive servants and holders of special or lifetime pension plans of the Direct Administration. We do not receive any compensation for these services.

The suppliers of the Public Finance System and process changes related to the Cash Management Integrated System (SIAC), which is an account used to pay for social security programs. We are not remunerated for either of these services.

We also provide other services to foundations and government agencies, such as payment services through payment forms and the supply of meal and fuel vouchers. For the nine-month period ended September 30, 2011, these services generated R$10.6 million in fees. We also offer e-commerce management solutions through our Online Auction Portal (*Portal de Compras Pregão On Line*). We do not receive any compensation for the e-commerce management services.

We purchased FCVS credit rights, as described in note 6 to our consolidated financial statements as of and for the nine-month period ended September 30, 2011 included elsewhere in these listing particulars. As of September 30, 2011, these credits, which are stated at acquisition cost plus income earned, totaled R$629.5 million. These credit rights were originally purchased at a discount and were simultaneously hedged to the SELIC rate variation through an exchange rate swap contract. On December 7, 2010, in order to simplify the structure of this transaction and the cash flows generated at the settlement dates, the parties amended the contract, as defined in note 5 to our consolidated financial statements as of and for the nine-month period ended September 30, 2011 included elsewhere in these listing particulars. The settlement did not affect our net income for the year.

For the nine-month period ended September 30, 2011, our lease agreements on the Rio Grande do Sul State Government's properties generated expenses in the amount of R$0.8 million.

We also have an employee assignment agreement with the Rio Grande do Sul State Government whereby the Rio Grande do Sul State Government assigned nine employees from the dissolved Caixa Econômica Estadual to us and the Rio Grande do Sul State Government received seven employees to work in Rio Grande do Sul State Government departments and foundations. These employee-related costs are refunded by the departments and foundations of Rio Grande do Sul State Government Government.

Companhia Estadual de Energia Elétrica (CEEE)

We are responsible for the provision of payroll banking services, including payroll loan operations. We are also responsible for collecting payments for electricity bills issued by CEEE and for the supply of meal and fuel vouchers. We recorded revenue for these services in the amount of R$4.5 million for the nine-month period ended September 30, 2011. In addition, we offer an e-commerce management solution through the Pregão On Line portal. We do not receive any compensation for e-commerce management services.

Companhia Riograndense de Saneamento (CORSAN)

We are responsible for the provision of payroll banking services. We are also responsible for collecting payments of bills issued by CORSAN and for the supply of fuel vouchers. We recorded revenue for these services in the amount of R$5.1 million for the nine-month period ended September 30, 2011. We offer an e-commerce management solution through the Pregão On Line portal, and we serve as an intermediary for the use of amounts received for the agreements entered into by this company and BNDES. There are no guarantees pledged and/or compensation related to these operations. We do not receive any compensation for the e-commerce management and intermediary services.

SULGÁS, CEASA, CESA, CIEL, CORAG, CRM and PROCERGS

We are responsible for the provision of payroll banking services and we have payroll loan agreements with SULGÁS, CEASA and CESA. We are also responsible for services related to e-payments by these companies and the supply of meal and fuel vouchers. We recorded revenue for these services in the amount of R$0.3 million for the nine-month period ended September 30, 2011. We offer an e-commerce management solution through the Pregão On Line portal. We do not receive any compensation for these services.

SULGÁS has investments whose yield is indexed to the CDI variation. We serve as an intermediary for the use of amounts received for the agreements entered into by this company and BNDES. There are no guarantees pledged and/or compensation related to these operations. We do not receive any compensation for these services.

Caixa Estadual S.A. Agência de Fomento/RS

We are responsible for the provision of payroll banking services, including payroll loan operations. We are also responsible for payment services and the supply of meal and fuel vouchers. We recorded revenue for these services in the amount of R$65 thousand for the nine-month period ended September 30, 2011. We offer an e-commerce management solution through the Pregão On Line portal. We do not receive any compensation for these services.

We have an employee assignment agreement with the Caixa Estadual, whereby we assigned seven to Caixa Estadual. These employee-related costs are refunded by the Caixa Estadual.

Banco Regional de Desenvolvimento do Extremo Sul (BRDE)

We are responsible for the provision of payroll banking services, including payroll loan operations to employees located in the Rio Grande do Sul State, and we are responsible for e-payment services. We do not receive any compensation for these services.

Fundação Banrisul de Seguridade Social

As described in note 23 to our consolidated financial statements as of and for the nine-month period ended September 30, 2011 included elsewhere in these listing particulars, our remaining portion of the contracted debt related to this plan amounts to R$64.0 million. In addition to this debt, we pay 6% interest per year, and the final maturity is in 2028. The interest is adjusted monthly based on the Price Index – Domestic Availability (IGP-DI).

In order to supplement the benefits ensured and provided by social security to its employees, our contributions to the Banrisul Foundation for the nine-month period ended September 30, 2011 amounted to R$9.5 million as described in note 23 to our consolidated financial statements as of and for the nine-month period ended September 30, 2011 included elsewhere in these listing particulars..

We are responsible for the provision of payroll banking services as well as the payment of retirement and pension benefits to the Banrisul Foundation's beneficiaries. We do not receive any compensation for these services.

The Banrisul Foundation also has an exclusive investment fund managed by us. We recorded revenue for these services in the amount of R$0.2 million for the nine-month period ended September 30, 2011. Investments made by the Banrisul Foundation with us earn yield at rates indexed to the CDI variation.

For the nine-month period ended September 30, 2011, our lease agreements on the Banrisul Foundation's properties generated R$4.1 million in expenses.

Cabergs – Caixa de Assistência dos Empregados do Banco do Estado do Rio Grande do Sul

We provide medical and dental care benefits to our employees and to the Banrisul Foundation's retirees, which generated R$16.6 million in expenses to us for the nine-month period ended September 30, 2011.

We are responsible for providing banking services related to the payment of staff and suppliers. Cabergs also has an exclusive investment fund managed by us. We recorded revenue for these services in the amount of R$0.1 million for the nine-month period ended September 30, 2011. Investments made by Cabergs with us earn yields at rates indexed to the CDI variation.

We offer an e-commerce management solution through the Pregão On Line portal. All interest-bearing transactions were carried out on an arm's length basis at rates prevailing on the transaction dates. Transactions with parent companies and subsidiaries are as follows:

	Assets (Liabilities)		Income (Expense)	
	2011	**2010**	**2011**	**2010**
		(*in R$ thousand*)		
Derivatives	**-**	**103,135**	**-**	**(1,095)**
State of Rio Grande do Sol government	-	103,135	-	**(1,095)**
Collection services	**5,072**	**5,072**	**-**	**-**
State of Rio Grande do Sol government	5,072	5,072	-	-
Other credits	**16,850**	**14,912**	**6,603**	**4,138**
State of Rio Grande do Sol government	14,028	12,483	-	-
Subsidiaries	2,822	2,429	6,603	4,138
Demand deposits	**(83,589)**	**(163,573)**	**-**	**-**
State of Rio Grande do Sol government	(75,764)	(130,536)	53.00%	-
Subsidiaries of State of Rio Grande do Sol government	(5,319)	(27,694)	-	-
Subsidiaries	(2,506)	(5,343)	-	-
Time deposits	**(264,127)**	**(223,660)**	**(10,642)**	**(8,330)**
Subsidiaries	(264,127)	(223,660)	(10,642)	(8,330)
Money market funding	**(715,434)**	**(1,045,614)**	**(80,044)**	**(90,774)**
State of Rio Grande do Sol government(*)	(646,966)	(980,891)	(74,319)	(86,484)
Subsidiaries	(8,468)	(64,723)	(5,725)	(4,290)
Other payables	**(116,154)**	**(80,467)**	**(10,413)**	**(10,121)**
State of Rio Grande do Sol government	(43,571)	(11,576)	(751)	(851)
Banrisul foundation	(64,414)	(61,681)	(8,465)	(8,071)
Subsidiaries	(8,169)	(7,210)	(1,197)	(1,199)
Total	**(1,157,382)**	**(1,390,195)**	**(94,496)**	**(106,182**

(*) These funds receive 100% of the SELIC rate.

	Assets (Liabilities)		Income (Expense)	
	2011	**2010**	**2011**	**2010**
		(*in R$ thousand*)		
Cash	**19,228**	**17,988**	**1,569**	**(1,247)**
State of Rio Grande do Sol government	19,228	17,988	1,569	(1,247)
Derivatives	**-**	**103,135**	**-**	**(1,095)**
State of Rio Grande do Sol government	-	103,135	-	(1,095)
Collection services	**5,072**	**5,072**	**-**	**-**

	Assets (Liabilities)		Income (Expense)	
	2011	2010	2011	2010
		(*in R$ thousand*)		
State of Rio Grande do Sol government	5,072	5,072	-	-
Other credits	**19,177**	**18,605**	**770**	**607**
State of Rio Grande do Sol government	19,177	18,605	770	607
Demand deposits	**(81,083)**	**(158,230)**	**-**	**-**
State of Rio Grande do Sol government	(75,764)	(130,536)	-	-
Subsidiaries of State of Rio Grande do Sol government	(5,319)	(27,694)	-	-
Money market funding	**(646,966)**	**(980,891)**	**(74,319)**	**(86,484)**
State of Rio Grande do Sol government(*)	(646,966)	(980,891)	(74,319)	(86,484)
Other payables	**(107,985)**	**(73,257)**	**(9,216)**	**(8,922)**
State of Rio Grande do Sol government	(43,571)	(11,576)	(751)	(851)
Banrisul foundation	(64,414)	(61,681)	(8,465)	(8,071)
Total	**(792,557)**	**(1,067,578)**	**(81,196)**	**(94,647)**

(*) These funds receive 100% of the SELIC rate.

Compensation of key management personnel

Annually, our General Shareholders' Meeting determines:

- the total annual compensation of the members of the Board of Executive Officers, the Board of Directors, the Fiscal Council and the Audit Committee, as stated in the Company's Bylaws; and

- the allowance to cover Supplementary Pension Plans Additional on behalf of the Executive Board, included in the Private Pension Plan for us and our subsidiaries' management and employees.

In 2011, the fixed maximum annual amount of R$0.4 million was defined as compensation and bonuses payable to individual members of the Executive Board, the Board of Directors, the Supervisory Board and the Audit Committee.

For the nine-month period ended September 30, 2011, management compensation is as follows:

Short Term Benefits paid to Senior Management	2011
	(*in R$ thousand*)
Salaries	2,381
Bonuses	3
Security	537
Total	**2,921**

We pay in full defined benefit pension plans to its officers. For the nine-month period ended September 30, 2011, contributions to Banrisul Social Security Foundation (*Fundação Banrisul de Seguridade Social*) are summarized as follows:

Post-Employment Benefits	2011
	(*in R$ thousand*)
Defined Contribution Pension Plan	13

As of September 30, 2011, we had a directors and officers liability insurance policy for our officers and directors, and paid insurance premium in the amount of R$0.3 million.

We do not offer our key management personnel any long-term, termination or stock-based compensation benefits.

Additional information:

According to existing legislation, financial institutions may not grant loans or advances to:

- officers, directors or members of the advisory, supervisory or similar boards, as well as their spouses and relatives up to the second degree of kinship;

- individuals or legal entities holding equity interest equal to or more than 10%; and

- legal entities having more than 10% of capital held by the financial institution itself, any of its directors or officers as well as their spouses and relatives up to the second degree of kinship.

Thus, we do not grant any loans or advances to any subsidiary, members of the Board or the Executive Board and their relatives.

Shareholding

As of September 30, 2011, members of the Executive Board, the Board of Directors, the Supervisory Board and the Audit Committee jointly hold our shares as follows:

Shares	2011
Common Shares	9
Preferred Shares	128
Total Shares	137

DESCRIPTION OF THE NOTES

This section describes the general terms and provisions of the Indenture and the Notes. The description of certain provisions of the indenture and the Notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the indenture and the Notes, including the definitions therein of certain terms. A copy of the indenture is available upon written request from the Trustee. We urge you to read each of the indenture and the form of the Notes because they, and not this description, define your rights as a noteholder. In case of any conflict regarding the rights and obligations of the noteholders under the indenture, the Note, and these listing particulars, the terms of the indenture will prevail. Capitalized terms used but not defined shall have the meanings assigned to such terms in the indenture.

For purposes of this "Description of the Notes," the term "Issuer" means Banco do Estado do Rio Grande do Sul S.A. and its successors under the indenture, excluding its subsidiaries.

General

The Notes will be issued under an indenture, to be dated as of February 2, 2012, among the Issuer, The Bank of New York Mellon, as trustee, transfer agent, paying agent and registrar (the "Trustee") and The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent (the "Indenture").

The Notes will have the following basic terms:

- The Notes issued in this offering will be in an aggregate principal amount of U.S.$500,000,000. The principal amount of the Notes will be payable in full at par in a single payment on February 2, 2022 unless the payment is deferred as described in "—Deferral of Interest and Principal" below.
- The Notes will bear interest at a fixed rate of 7.375% per annum, from February 2, 2012, except that interest on unpaid principal after the maturity date and interest on any overdue interest will accrue at the note rate plus 1% per annum. Interest on the Notes will be paid semiannually in arrears on February 2 and August 2 of each year, commencing on August 2, 2012, to the noteholders (each a "Noteholder," and collectively, the "Noteholders") registered as such as of the close of business on the day preceding the interest payment date (whether or not a Business Day, as defined below), except that default interest paid more than 15 days after the applicable interest payment date will be paid to the Noteholders registered as such on a special record date fixed by the Issuer. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.
- The Notes will initially be issued in the form of one or more fully registered Restricted Global Notes and Regulation S Global Notes. The Notes will be issued only in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. For more information about the form of the Notes and their clearance and settlement, see "Form of the Notes."
- The Notes shall be unsecured obligations of the Issuer. The Issuer and any legal entity related to the Issuer within the same financial conglomerate or economic/financial group (as defined by applicable Brazilian laws and regulations) have not and will not enter into any agreement that provides for any insurance with respect to the Notes affecting the subordination of the Notes in accordance with CMN Resolution No. 3,444.

Prescription

Claims against the Issuer for payments under any Notes will expire unless made within a period of six years from the date on which the relevant payment became due.

Additional Notes

The Indenture will provide that, from time to time, without notice to or the consent of the Noteholders, additional notes may be issued upon satisfaction of the conditions set forth in the Indenture. Any additional notes may be issued on terms established pursuant to a resolution of our board of directors, which will also establish the aggregate principal amount of any additional notes delivered to the Trustee, or pursuant to a supplement to the Indenture. Any additional notes will have the same terms in all respects as the Notes except that the additional notes may have a different issue date, purchase price and initial interest accrual date. The Notes offered hereby and any additional notes will be treated as a single series for all purposes under the Indenture and will vote together as one class on all matters with respect to the Notes. For purposes of this "Description of the Notes," references to the Notes include additional notes, if any.

Deferral of Interest and Principal

(1) If the Issuer is not in compliance with the operational limits required by current or future regulations generally applicable to Brazilian banks (the "risk-based capital requirements") or (2) if the payment of interest, principal or any other amount relating to the Notes would cause the Issuer to fail to satisfy any of the risk-based capital requirements; on any interest payment date, any redemption date or the maturity date, as applicable, the payment of interest, principal or any other amount shall not be due at that time and the Issuer shall defer that payment of interest or principal or any other amount relating thereto on a cumulative basis in full until the date no later than 14 days after the date the Issuer is no longer in violation of the risk-based capital requirements and the payment of that interest or principal amount or other amount, or any portion thereof, would no longer cause the Issuer to violate the risk-based capital requirements. The deferral of any payment in accordance with this provision will not constitute an event of default under the Notes.

These deferred interest amounts will be calculated on each interest payment date only for the purpose of calculating the interest accruing thereafter on amounts in arrears. Such amounts in arrears will bear interest at the note rate plus 1.0% per annum. The Issuer will use reasonable efforts to give not more than 14 and not less than 2 Business Day's notice to the Trustee and to the Noteholders of any interest or principal payment that will be deferred and of any date on which any amount in arrears or any additional interest on such amount will be payable.

If amounts in arrears are at any time only partially payable:

- all amounts in arrears will be payable before additional interest on those amounts;
- all amounts in arrears will be payable in the order of the interest periods for which they accrued, and the payment of additional interest on those amounts will follow the same order; and
- all amounts in arrears or additional interest on those amounts, as the case may be, for any interest period will be paid pro rata.

Ranking

The Notes will be unsecured obligations, and, in the event the Issuer becomes subject to insolvency regime under Brazilian law ("bankruptcy event"), will be subordinated obligations ranking:

- junior in right of payment to the payment of all the Issuer's senior indebtedness; and
- *pari passu* (i) among themselves and (ii) with any liabilities approved by the Central Bank to be classified in the Tier 1 capital or Tier 2 capital pursuant to CMN Resolution No 3.444, as amended, restated, consolidated or replaced from time to time ("Pari Passu Liability"); and
- Senior to the capital stock of the bank ("Junior Liability").

The Issuer will ensure that its obligations under the Notes will rank at least *pari passu* in right of payment with all of its other existing and future unsecured and subordinated indebtedness (other than obligations preferred by statute or by operation of law).

"Senior indebtedness" means all liabilities of the Issuer, but excluding (1) any liabilities of the Issuer approved by the Central Bank to be classified in the Tier 1 capital or Tier 2 capital of the Issuer pursuant to CMN Resolution No. 3,444, as amended, restated, consolidated or replaced from time to time, and (2) all classes of the Issuer's shares.

"Liability" means any amount payable (whether as a direct obligation or indirectly through a guarantee of a liability by such person) pursuant to an agreement or instrument involving or evidencing money borrowed or received, the advance of credit, a conditional sale or a transfer with recourse or with an obligation to repurchase or pursuant to a lease with substantially the same economic effect as any such agreement or instrument and which, under Brazilian GAAP, would constitute a capitalized lease obligation.

A consolidation of the Issuer with, or the merger of the Issuer into, another person, or the liquidation or dissolution of the Issuer after the conveyance or transfer of all or substantially all of its properties, assets and liabilities (including the Notes issued under the Indenture) to another person, as described under "—Certain Covenants—Consolidation, Merger, Conveyance and Transfer" will not be deemed a bankruptcy event for the purposes of the subordination provisions if that person complies with the conditions described under "—Certain Covenants—Consolidation, Merger, Conveyance and Transfer."

In the event of a bankruptcy event, all principal, premium, if any, and interest due or to become due on all senior indebtedness must be paid in full before the Noteholders are entitled to receive or retain any payment. The Noteholders will be entitled to receive *pari passu* among themselves.

If, in the event of any bankruptcy event, the Trustee or any Noteholders receives any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities, before the payment of all senior indebtedness is provided for, then and in such event such payment or distribution must be paid over or delivered forthwith to the trustee in bankruptcy or other person making payment or distribution of assets of the Issuer for application to the payment of all the senior indebtedness remaining unpaid, to the extent necessary to pay all the senior indebtedness in full, after giving effect to any concurrent payment or distribution to the holders of the senior indebtedness.

The terms and conditions of the Notes do not limit the amount of senior indebtedness that the Issuer may hereafter incur.

Conflicts with CMN Resolution No. 3,444

Pursuant to article 7, II, of CMN Resolution No. 3,444, any provision of these listing particulars, the Indenture, the Notes or the purchase agreement among the Issuer and the Initial Purchasers that conflicts with any of the provisions of article 9 of CMN Resolution No. 3,444 shall be null and void.

Listing

The Issuer has made an application to list the Notes on the Official List of the Irish Stock Exchange and it has made an application for admission to trading on the Global Exchange Market of the Irish Stock Exchange.

Payments of Principal and Interest

Payment of the principal of the Notes, together with accrued and unpaid interest thereon, will be made on the payment date therefor to the person in whose name the Note is registered as of the close of business, New York time, on the day before that payment date (whether or not a Business Day, as defined below) by U.S. dollar check drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City.

In the event that any payment date is not a Business Day (as defined below), then payment of the interest, principal or redemption amount payable on such date will be made on the next succeeding day that is a Business Day (as defined below) (and without any interest or other payment in respect of any such delay).

"Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in New York City, São Paulo or Porto Alegre.

Additional Amounts

The Issuer will make all payments of principal and interest on the Notes without withholding or deducting any present or future taxes, penalties, fines, levies, imposts, duties, assessments or other governmental charges of any nature (which we refer to collectively as "taxes") imposed by Brazil or by any jurisdiction imposing tax as a result of payments being made from or through such jurisdiction, including any political subdivision or governmental authority of those jurisdictions having power to tax (each, a "taxing jurisdiction") unless required by law. If the Issuer is required by law to withhold or deduct any such taxes, except as provided below, it will pay the Noteholders any additional amounts necessary to ensure that they receive the same amount as they would have received without such withholding or deduction ("additional amounts"). The Issuer will not, however, pay any additional amounts in connection with any taxes imposed due to any of the following ("excluded additional amounts"):

- the Noteholder or beneficial owner has some connection with the taxing jurisdiction other than merely holding the Notes or enforcement of rights, thereunder or receiving principal or interest payments on the Notes (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent

establishment, a dependent agent, a place of business or a place of management present or deemed present within the taxing jurisdiction);

- any tax imposed on, or measured by, net income of the Noteholder;
- the Noteholder or beneficial owner fails to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the taxing jurisdiction, if compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the taxes, provided that (1) the Issuer has given all Noteholders at least 30 days' prior notice that they will be required to comply with such requirements and (2) in no event shall such Noteholder's or beneficial owner's requirement to make such a certification, identification or similar filing require such Noteholder or beneficial owner to provide any materially more onerous information, documents or other evidence than would be required to be provided had such Noteholder or beneficial owner been required to file U.S. Internal Revenue Service Forms W-8BEN, W-8ECI, W-8EXP and/or W-8IMY;
- the Noteholder fails to surrender (where surrender is required) its Note within 30 days after the Issuer has made available to the Noteholder a payment of principal or interest; *provided* that the Issuer will pay additional amounts to which a Noteholder would have been entitled had the Note owned by such Noteholder been surrendered on any day (including the last day) within such 30- day period;
- any estate, inheritance, gift, value added, use or sales taxes or any similar taxes, assessments or other governmental charges;
- where any such withholding or deduction is imposed on a payment on the Notes to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this directive;
- where the Noteholder or beneficial owner could avoid withholding or deduction by requesting that a payment on the Notes be made by, or presenting the relevant Notes for payment to, another paying agent located in a member state of the European Union; or
- any combination of the above.

The Issuer will make any required withholding or deduction and remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law. The Issuer will furnish to the Trustee, within 30 days after the date of payment of any such taxes, certified copies of tax receipts or other documentation reasonably satisfactory to the Trustee evidencing that payment. Upon request, copies of those receipts or other documentation, as the case may be, will be made available to the Noteholders.

The Issuer will pay any stamp, administrative, court, documentary, excise or property taxes arising in a taxing jurisdiction in connection with the Notes and will indemnify the Noteholders for any such taxes paid by Noteholders, *provided* that such payment is duly documented**.**

All references to principal, interest or other amounts payable on the Notes in these listing particulars are deemed to include any additional amounts payable by the Issuer. The obligations to make payments of additional amounts with respect to principal, interest or other amounts payable on the Notes will survive any termination, defeasance or discharge of the Notes and the Indenture.

If the Issuer is required at any time to pay additional amounts to Noteholders pursuant to the terms of the Notes and the Indenture, the Issuer, the Noteholders and beneficial owners will use reasonable effort to obtain an exemption from the payment of (or otherwise avoid the obligation to pay) the taxes which have resulted in the requirement that the Issuer pay additional amounts.

The Issuer has also agreed, if the conclusions of the ECOFIN Council meeting of November 26-27, 2000 are implemented, to maintain a paying agent in a member state of the European Union that will not be obligated to withhold or deduct tax under the applicable directive.

Certain Covenants

For so long as any of the Notes are outstanding and any amount remains unpaid under the Indenture and the Notes, the Issuer will comply with the terms of the covenants described below, among others:

Performance of Obligations under the Notes and the Indenture

The Issuer will pay all amounts owed by it under the terms of the Notes and the Indenture. If the Issuer defers any interest or principal payments as described under "—Deferral of Interest and Principal," it will use reasonable effort to re-enter into compliance with the risk-based capital requirements within 180 days.

Maintenance of Approvals

The Issuer will obtain and maintain in full force and effect all governmental approvals, consents or licenses of any governmental authority under the laws of Brazil or any other jurisdiction having jurisdiction over it, its business or the transactions contemplated herein, as well as of any third party under any agreement to which the Issuer may be subject, in connection with its execution, delivery and performance of the transaction documents or validity or enforceability thereof.

Maintenance of Books and Records

The Issuer will maintain books, accounts and records as may be necessary to comply with all applicable laws and to enable its financial statements to be prepared, and it will allow the Trustee access to those books, accounts and records at reasonable times.

Maintenance of Office or Agency

The Issuer will maintain an office or agency in the Borough of Manhattan, The City of New York where Notes may be presented for payment or for exchange, transfer or redemption and where notices to and demands upon the Issuer in respect of the Indenture and the Notes may be served. Initially this office will be the corporate trust office of the Trustee, located at 101 Barclay Street, 4E, New York, New York 10286, and the Issuer will agree not to change the designation of such office without prior notice to the Trustee and designation of a replacement office.

Use of Proceeds

We intend to use the net proceeds of the issuance of the notes for general corporate purposes. Subject to the approval of the Central Bank to our treating the net proceeds of the issuance of the notes as Tier 2 Capital, we intend to further strengthen our capital base.

Notice of Certain Events

The Issuer will give notice to the Trustee, promptly and in any event within ten days after it becomes aware of the occurrence of any event of default under the Indenture or event that, with the giving of notice, lapse of time or other conditions, would become an event of default.

If the Issuer has deferred interest or principal payments as described under "—Deferral of Interest and Principal," it will give notice to the Trustee promptly, and in any event within ten Business Days, after the Issuer becomes aware that it is no longer in violation of the risk-based capital requirements or can make interest or principal payments without violating those requirements.

If the Trustee has actual knowledge of an event of default or an event that, with the giving of notice, lapse of time or other conditions, would become an event of default, the Trustee will give notice of that event to the Noteholders within 30 days after it is actually known to the Trustee. The Trustee may withhold notice to the Noteholders of such an event (except the non-payment of principal or interest) if its board of directors or a committee of its trust officers determines in good faith that withholding notice is in the interests of the Noteholders.

Within 45 days after the end of each fiscal quarter of each fiscal year (other than the final fiscal quarter of any fiscal year) and 90 days after the end of each fiscal year of the Issuer, the Issuer shall provide to the Trustee copies of unaudited (with respect to a fiscal quarter) or audited (with respect to a fiscal semester or a fiscal year) consolidated financial statements, in each case accompanied by an opinion from an independent auditor; *provided* that any such financial statements will be deemed to have been delivered on the date on which the Issuer has notified the Trustee in writing that it has posted such financial statements on its website at

www.banrisul.com.br (it being understood that the Issuer shall promptly provide such other information as the Trustee may reasonably request and that the Issuer may provide without violating any applicable law).

The Issuer will provide, together with each of the financial statements described above, a compliance certificate stating that it has fulfilled its agreements under the Indenture and that no event of default or event that, with the giving of notice, lapse of time or other conditions, would become an event of default has occurred during that period or, if one or more have actually occurred, specifying those events and what actions have been taken and will be taken with respect to each such event.

Further Actions

The Issuer will, at its own cost and expense, take any action at any time required, as necessary or as requested by the Trustee, in accordance with applicable laws and regulations, to be taken in order:

- to enable it to lawfully to enter into, exercise our rights and perform its obligations under the Notes and the Indenture;
- to ensure that its obligations under the Notes and the Indenture are legally binding and enforceable;
- to make the Notes and the Indenture admissible in evidence in the courts of the State of New York or Brazil;
- to enable the Trustee to exercise and enforce its rights under and carry out the terms, provisions and purposes of the Indenture and the Notes;
- to take any and all actions necessary to preserve the enforceability of, and maintain the Trustee's rights under, the Indenture and the Notes;
- to provide, if requested by a Noteholder, information required under Rule 144A (d) (4) of the Securities Act; and
- to assist the Trustee, to the extent reasonably practicable, in the Trustee's performance of its obligations under the Notes and the Indenture.

Appointment to Fill a Vacancy in the Office of the Trustee

Whenever necessary to avoid or fill a vacancy in the office of the Trustee, the Issuer will appoint a successor Trustee so that there will at all times be a trustee with respect to the Notes.

Maintenance of Existence

Subject to the covenant described in "—Consolidation, Merger, Conveyance or Transfer," the Issuer will do all things necessary to preserve and keep in full force and effect its corporate existence and rights; *provided*, however, that the Issuer will not be required to preserve any such right if its board of directors determines that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Noteholders.

Consolidation, Merger, Conveyance or Transfer

The Issuer will not, without the consent of the Noteholders holding no less than 66 2/3% in aggregate principal amount of the Notes outstanding, consolidate with or merge into any other person or convey or transfer either of all or substantially all of its properties and assets or all or substantially all of its properties, assets and liabilities (including the Notes issued under the Indenture) to any other person unless thereafter:

- the person formed by such consolidation or into which the Issuer is merged, or the person which acquires all or substantially all of the Issuer's properties and assets or all or substantially all of the Issuer's properties, assets and liabilities (including the Notes issued under the Indenture), expressly assumes the due and punctual payment of the principal of and interest on all the Notes and the performance or observance of every covenant of the Indenture and the Notes on the part of the Issuer to be performed or observed;
- immediately after giving effect to such transaction, no event of default or event that, with the giving of notice, lapse of time or other conditions, would become an event of default, has occurred and is continuing and no covenant or agreement in the Indenture and the Notes has been materially breached; and

- the person formed by such consolidation or into which the Issuer is merged, or the person which acquires either all or substantially all of its properties and assets or all or substantially all of the Issuer's properties, assets and liabilities (including the Notes issued under the Indenture) delivers to the Trustee an officers' certificate and an opinion of counsel, each stating that the consolidation, merger, conveyance or transfer and, if a supplemental indenture is required in connection with the transaction, the supplemental indenture comply with the Indenture and that all conditions precedent in the Indenture relating to the transaction have been complied with.

In addition, the conditions set out above only apply in the event that the Issuer wishes to merge or consolidate with another entity or sell its assets substantially as an entirety to another entity. The Issuer will not need to satisfy these conditions if it enters into other types of transactions, including any transaction in which it acquires the stock or assets of another entity, any transaction that involves a change in the Issuer's control but in which it does not merge or consolidate, and any transaction in which the Issuer sells less than substantially all of its assets.

Redemption

No Redemption by the Issuer prior to the Maturity Date

Except as described under "—Optional Tax Redemption," the Notes will not be subject to redemption by the Issuer prior to the maturity date.

No Optional Redemption by Noteholders

The Noteholders shall have no right to request that the Issuer redeem all or any portion of the Notes prior to the maturity date.

Optional Tax Redemption

Subject to the approval of the Central Bank or any other applicable Brazilian authority for such redemption (if such approval is then required), on any interest payment date, the Issuer may redeem the Notes in whole, but not in part, following the occurrence of a Tax Event. In the case of redemption following a Tax Event, the Issuer will redeem the Notes at a redemption price equal to 100% of the aggregate principal amount, plus accrued and unpaid interest, if any, through the date of such redemption, including any additional amounts.

Before giving notice of redemption, the Issuer shall deliver to the Trustee an officers' certificate stating that (1) subject to the obtainment of any pending necessary approvals, the Issuer is entitled to effect such redemption in accordance with the terms of the Indenture and stating the facts relating thereto and (2) the Issuer took all reasonable measures available to the Issuer to avoid payment of the additional amounts. The statement shall be accompanied by a written opinion of Brazilian counsel to the effect that (x) the Issuer has or will become obligated to pay the additional amounts and (y) that all approvals necessary for the Issuer to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion are still necessary but have not been obtained. Notice of any redemption will be given at least 30 days but not more than 60 days before the redemption date to each Noteholder of the Notes to be redeemed; provided, however, that no notice of redemption may be given earlier than 60 days prior to the earliest date on which the Issuer would, but for such redemption, be obliged to pay additional amounts in excess of the amounts set forth below were a payment of interest then due.

"Tax Event" means a determination by the Issuer that on the next interest payment date that the Issuer would, for reasons outside its control, be obligated to pay additional amounts in excess of additional amounts which the Issuer would be obligated to pay if payments of interest under the Notes were subject to withholding or deduction at a rate of (1) 15% in case of any taxes imposed by Brazil, (2) 25% in case of taxes imposed by Brazil on amounts paid to residents of countries in which income is either tax-exempt or subject to an income tax rate capped at 20% or where the laws of that country or location impose restrictions on the disclosure of (x) shareholding composition; or (y) the ownership of the investment; or (z) the beneficial ownership of income paid to non-resident persons, pursuant to Law No. 9,779, dated January 19, 1999, or (3) the applicable tax rate in effect with respect to any other taxing jurisdiction at the time of these listing particulars or, if a jurisdiction becomes a taxing jurisdiction at a later date, the tax rate in effect on such date and, in each such case, the Issuer cannot avoid such circumstance by taking reasonable measures.

Purchases of Notes by the Issuer

The Issuer or any legal entity related to the Issuer within the same financial conglomerate or economic/financial group (as defined by applicable Brazilian laws and regulations) may, subject to the prior written consent of the Central Bank, may purchase any Notes in the open market or otherwise at any price, provided that the Issuer is in compliance with the risk-based capital requirements and that such purchase would not cause the Issuer to fail to be in compliance with such requirements. In determining whether Noteholders holding any requisite principal amount of Notes have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Notes owned by the Issuer or any affiliate, and known by a responsible officer of the Trustee to be so owned, will be deemed not outstanding for purposes thereof. The Issuer may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered pursuant to the Indenture which the Issuer may have acquired in any manner whatsoever.

Events of Default

The following events will each be an event of default under the terms of the Notes and the Indenture:

- the Issuer fails to make any principal payment on any of the Notes, whether on the maturity date, upon redemption or otherwise, other than due to a deferral of principal described under "—Deferral of Interest and Principal;"
- the Issuer fails to make any interest payment or any payment of additional amounts in accordance with the terms of the Notes and the Indenture, other than due to a deferral of interest described under "Deferral of Interest and Principal," and this non-payment continues for 15 days;
- a court or agency or supervisory authority in Brazil (1) institutes a proceeding or enters a decree or order for relief under any bankruptcy event, insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar law, or for the Issuer's winding up or the liquidation of its affairs, or adjudging the Issuer bankrupt, or insolvent, (2) enters a decree or order approving as properly filed a petition seeking the Issuer's reorganization, arrangement, adjustment or composition under any applicable law except a reorganization permitted under the Indenture, (3) enters a decree or order appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Issuer or all or substantially all its assets, and those proceedings, decree or order have not been vacated or have remained in force undischarged or unstayed for 60 days, or (4) any event that under the laws of Brazil occurs that has an analogous effect to any of the foregoing events; or

- the Issuer commences a voluntary case or proceeding under any applicable bankruptcy event, insolvency, reorganization or other similar law or any other case or proceeding to be adjudicated bankrupt or insolvent, or the Issuer consents by answer or otherwise to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable bankruptcy event, insolvency, reorganization intervention, liquidation or other similar law or to the commencement of any bankruptcy event or insolvency case or proceeding against the Issuer or its dissolution or any event that under the laws of Brazil has an analogous effect to any of the foregoing events.

If an event of default described in the third and fourth bullet points above occurs and is continuing, the principal of and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Noteholder. However, the Issuer will only be required to make the payments described in this paragraph after it has been punt into intervention or liquidation or otherwise dissolved, and those payments will be subject to the subordination provisions of the Indenture. In addition, if the Issuer makes payments described in this paragraph from Brazil, it may be required to obtain the approval of the Central Bank for the remittance of funds outside Brazil and effect applicable registrations with the Central Bank in relation to those payments. There is no right of acceleration in the case of a default in the payment of principal of or interest on the Notes or the failure by the Issuer to perform any other obligation under the Indenture.

Notwithstanding the foregoing or any other provision in the Notes and the Indenture, in the event of the Issuer's failure to pay any principal or interest (or additional amounts, if any) on the Notes when it becomes due and payable, the Noteholder will have the right to institute a suit, including a summary proceeding for the enforcement of any such payment.

The holders of a majority in aggregate principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or

exercising any trust or power conferred on the Trustee, subject to the limitations specified in the Indenture. The Trustee will be under no obligation to exercise any of its rights and powers under the Indenture unless it has been offered an indemnity to its reasonable satisfaction against the costs, expenses and liabilities it may reasonably incur.

No Noteholder will have any right to institute any proceeding with respect to the Indenture or the Notes or for any remedy thereunder unless the Noteholder has previously given written notice to the Trustee of a continuing event of default under the Notes or the continuing breach of a covenant contained in the Indenture, the Noteholders of not less than 33 1/3% in aggregate principal amount of the outstanding Notes have made a written request to the Trustee to institute proceedings in respect of the event of default or breach in its own name as Trustee, the Noteholders have offered to the Trustee indemnity satisfactory to it, and the Trustee for 60 days thereafter has failed to institute any such proceeding and no direction inconsistent with that request has been given to the Trustee during that 60-day period by the holders of a majority in aggregate principal amount of the outstanding Notes. However, the right of any Noteholder to institute a suit for the enforcement of the payment of principal or interest on the due date therefor may not be impaired without its consent.

The holders of a majority in aggregate principal amount of the outstanding Notes may waive any past default under the Indenture except an uncured default in the payment of principal of or interest on the Notes or an uncured default relating to a covenant or provision of the Indenture that cannot be modified or amended without the consent of each affected Noteholder.

Modification of the Indenture

Changes Not Requiring Approval

The Issuer and the Trustee may one time, without the prior consent of Noteholders, amend the terms and conditions of the Notes solely to comply with the requirements of the Central Bank to qualify the Notes as Tier 2 capital pursuant to CMN Resolution No. 3,444, as amended. The Issuer will not be permitted to make any amendments without Noteholders' consent if such amendment would affect in any way the interest rate of the Notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of the Notes, the ranking of the Notes (as described in "—Ranking") or the original maturity date of the Notes.

The Trustee will require an opinion of counsel from Brazilian counsel to the Issuer describing the amendments to the terms and conditions of the Notes required by the Central Bank in order to qualify the Notes as Tier 2 capital. Upon receipt of such opinion of counsel, the Issuer and the Trustee will execute a supplemental indenture, a new form of Note and any other document necessary to implement the amendments required by the Central Bank.

The Issuer and the Trustee may also, without the consent of the Noteholders, modify the Indenture for certain specific purposes, including, among other things, providing for the issuance of additional notes, curing ambiguities, defects or inconsistencies or including any other provisions with respect to matters or questions arising under the Indenture, so long as that correction or added provision will not adversely affect the interests of the Noteholders in any material respect.

Changes Requiring Approval

In addition, the Indenture may be modified by the Issuer and the Trustee with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding. However, no modification may, without the consent of the Noteholder of each outstanding Note affected thereby:

- change the maturity of any payment of principal of or any installment of interest on any Note;
- reduce the principal amount or the rate of interest, or change the method of computing the amount of principal or interest payable on any date;
- change any place of payment where the principal of or interest on the Notes is payable;
- change the coin or currency in which the principal of or interest on the Notes is payable;
- impair the right of the Noteholders to institute suit for the enforcement of any payment on or after the date due;
- modify the subordination provisions of the Indenture in a manner adverse to the Noteholders;

- reduce the percentage in principal amount of the outstanding Notes, the consent of whose holders is required for any modification of or waiver of compliance with any provision of the Indenture or defaults under the Indenture and their consequences; or
- modify the provisions summarized in this paragraph or the provisions of the Indenture regarding waivers of past defaults, except to increase any percentage or to provide that other provisions of the Indenture cannot be modified or waived without the consent of each Noteholder affected thereby.

After an amendment described in the preceding paragraph, the Issuer is required to give through the Trustee, to the Noteholders a notice briefly describing the amendment. However, the failure to give that notice to all the Noteholders, or any defect in the notice, will not affect the validity of the amendment.

A meeting of the Noteholders may be called by the Trustee at any time. The Issuer or the holders of at least 10% in aggregate principal amount of the outstanding Notes may call a meeting if the Issuer or said holders have requested the Trustee in writing to call such a meeting and the Trustee has not given notice of such a meeting within 20 days of receiving the request. Notices of meetings must include the time and place of the meeting and a general description of the action proposed to be taken at the meeting and must be given not less than 30 days nor more than 60 days before the date of the meeting, except that notices of meetings reconvened after adjournment must be given not less than 10 days nor more than 60 days before the date of the meeting. At any meeting, the presence of Noteholders holding Notes in an aggregate principal amount sufficient to take the action for which the meeting was called will constitute a quorum. Any modifications to or waivers of the Indenture or the Notes will be conclusive and binding on all Noteholders, whether or not they have given their consent (unless required under the Indenture) or were present at any duly held meeting.

Notes owned by the Issuer or any legal entity related to the Issuer within the same financial conglomerate or economic/financial group (as defined by applicable Brazilian laws and regulations), and known by a responsible officer of the Trustee to be so owned, will not be considered outstanding for the purpose of determining whether the requisite aggregate principal amount of Notes has concurred in any request, demand, notice, consent or waiver under the Indenture.

It is not necessary for the Noteholders to approve the particular form of any proposed modification of the Indenture, but it is sufficient if that consent approves the substance of the proposed modification.

Defeasance

The Issuer may, at its option at any time, with the prior approval of the Central Bank, defease its obligations with respect to the Notes by "legal defeasance" or "covenant defeasance." In general, upon legal defeasance, the Issuer will be deemed to have paid and discharged all its indebtedness under the Notes and to have satisfied all of its obligations under the Notes and the Indenture except that the following will survive: (1) the rights of the Noteholders to receive payments of principal of and interest on the Notes (including any additional amounts) when the payments are due, (2) the Issuer's obligations relating to the transfer and exchange of Notes, the payment of additional amounts, maintenance of a paying agent and a registrar and certain other matters specified in the Indenture and (3) the rights, powers, trusts, duties, immunities and indemnities of the Trustee.

In addition, through covenant defeasance, the Issuer may defease its obligations under the covenants described above under the caption "—Certain Covenants," other than the covenants described under "—Performance of Obligations Under the Notes and the Indenture" and "—Use of Proceeds" and certain covenants relating to the deposit of amounts to pay principal and interest on the Notes, actions with respect to paying agents, the return of unclaimed monies and other matters. Following covenant defeasance, the Issuer may omit to comply with any defeased covenant, and the subordination provisions of the Indenture will cease to be effective.

In order to exercise either legal defeasance or covenant defeasance, the Issuer must satisfy the following conditions:

- the Issuer must irrevocably deposit with the Trustee cash in: (1) U.S. dollars; or (2) permitted investments (as defined in the Indenture); or (3) a combination thereof, in an amount sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of and each installment of interest on the Notes in accordance with the terms of the Indenture and the Notes;

- no event of default, or event which with notice or lapse of time or other conditions would become an event of default, has occurred and is continuing on the date of the deposit and, with respect to the liquidation, bankruptcy event, insolvency and other events described in the third and fourth bullet points under "—Events of Default," at any time during the period ending on the 123rd day after the date of that deposit or, if longer, ending on the day after the longest applicable preference period relating to that deposit expires;
- the Issuer shall have delivered to the Trustee an opinion of independent counsel in the United States (which, in the case of legal defeasance is based upon either (A) the Issuer having received from the Internal Revenue Service a ruling or (B) a change in the applicable federal income tax law) to the effect that, and based thereon such opinion of independent counsel in the United States shall confirm that (subject to customary assumptions, qualifications and exclusions), the Noteholders or beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;
- the Issuer must deliver to the Trustee an opinion of counsel to the effect that payment of amounts deposited in trust with the Trustee will not be subject to future taxes or other governmental charges imposed by any taxing jurisdiction, except to the extent that additional amounts in respect thereof have been deposited in trust with the Trustee;
- such defeasance will not result in a breach or violation of any other agreement or instrument to which the Issuer is a party or by which the Issuer is bound;
- such defeasance will not result in the trust arising from that deposit constituting an investment company as defined under the U.S. Investment Company Act of 1940, as amended;
- the Issuer has delivered to the Trustee an officers' certificate and an opinion of counsel stating that all the conditions to defeasance have been complied with; and
- no default in the payment of principal, premium, if any, or interest on any of the senior indebtedness has occurred and is continuing, such senior indebtedness has not been accelerated and no other event of default under the senior indebtedness has occurred and is continuing that would permit acceleration of those obligations.

Satisfaction and Discharge

The Notes will be deemed to be paid for all purposes under the Indenture, and the Issuer's indebtedness under the Notes will be deemed to have been satisfied and discharged if the following conditions are met, among others:

- either the Issuer has given a notice of redemption and all other conditions to redemption have been met or the Notes have otherwise become due and payable or will become due and payable within one year;
- the Issuer has irrevocably deposited money in trust with the Trustee that will be sufficient to pay when due all the principal of and interest on the Notes to maturity or redemption; and
- no event of default or event that, with the giving of notice, lapse of time or other conditions, would become an event of default has occurred and is continuing on the date of the deposit, and the deposit will not breach any other instrument to which the Issuer is a party or by which the Issuer is bound.

The Indenture will cease to be of further effect when:

- either (1) all the Notes have been delivered to the Trustee for cancellation (other than destroyed, lost or stolen Notes that have been replaced or paid in accordance with the Indenture, Notes that are deemed to have been paid as described in the preceding paragraph and Notes for whose payment money has been deposited in trust or held in trust by the Issuer and have thereafter been returned to the Issuer) or (2) all Notes that have not been delivered to the Trustee for cancellation have been deemed to have been paid as described in the preceding paragraph;
- all other amounts due and payable under the Indenture have been paid; and
- the Issuer has delivered to the Trustee an officer's certificate and an opinion of counsel stating that the conditions to satisfaction and discharge of the Indenture have been complied with.

Notwithstanding the satisfaction and discharge of the Notes and/or the Indenture, the Issuer's obligations under specified provisions of the Indenture relating to the transfer and exchange of Notes, payment of additional amounts, maintenance of a paying agent and a note registrar and certain other matters specified in the Indenture will survive.

Replacement of Notes

If any Note becomes mutilated, destroyed, lost or stolen, the Issuer will execute and, upon the Issuer's request, the Trustee will authenticate and deliver a new Note of like tenor, interest rate and principal amount in exchange and substitution for that Note, so long as the Noteholder delivers to the Issuer, the note registrar and the Trustee satisfactory evidence of its ownership and of the destruction, loss or theft of the Note and provides such security or indemnity as they may require to hold them harmless. However, if a mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Issuer may pay the outstanding amounts due under the Note instead of issuing a new Note. Mutilated or defaced Notes must be surrendered before replacements will be issued. The Issuer may require that the Noteholder pay any taxes or other expenses in connection with the replacement of the Note.

The Trustee

The Bank of New York Mellon is the Trustee under the Indenture and has been appointed by the Issuer as registrar, paying agent and transfer agent with respect to the Notes. The address of the Trustee is 101 Barclay Street, 4E, New York, New York 10286.

The Indenture contains provisions for the indemnification of the Trustee and for its relief from responsibility. The obligations of the Trustee to any Noteholder are subject to the immunities and rights set forth in the Indenture.

The Issuer and its affiliates may from time to time enter into banking, trust or other transactions with the Trustee and its affiliates in the ordinary course of business.

The Trustee and its affiliates may hold Notes in their own names.

Paying Agents; Transfer Agents; Registrar

The Issuer has initially appointed the Trustee as paying agent, registrar and transfer agent; and The Bank of New York Mellon Trust (Japan), Ltd. as the principal paying agent. The Issuer may at any time appoint other paying agents, transfer agents and note registrars. However, the Issuer will at all times maintain a paying agent in New York until the Notes are paid.

The address of the principal paying agent is Marunouchi Trust Tower Main 1-8-3 Marunouchi, Chiyoda-ku Tokyo, Japan 100-8580. We will provide prompt notice of any changes in the principal paying agent or any change in the location of its offices.

Notices

Whenever the Indenture requires notice to the Noteholders, such notice will be given by the Trustee (unless the Indenture specifies otherwise):

- for Noteholders holding certificated Notes, by first class mail, postage prepaid, to the address of each Noteholder as it appears in the note register and for Noteholders holding global Notes, to the relevant depositary in accordance with its applicable procedures; and
- so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, by filing with The Irish Stock Exchange and by publication, in English, on the website of the Irish Stock Exchange and through any publication or distribution of circulars as required by such exchange.

Notice will be deemed to have been validly given on the date such notice is given or published, as the case may be.

Governing Law

The Indenture and the Notes are governed by, and construed in accordance with, the laws of the State of New York, except for the subordination provisions thereof and the terms of subordination of the Notes described herein, which are governed by, and construed in accordance with, the laws of Brazil.

Jurisdiction

The Issuer irrevocably submits to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan, City of New York, and any appellate court from any of those courts. The Issuer has appointed Article 9 Agent Services, LLC, located at 535 8th Avenue, 15th Floor, New York, New York 10018, as its authorized agent upon which service of process may be served in any action or proceeding brought in any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan, City of New York, and any appellate court from any of those courts in connection with the Notes or the Indenture.

Currency Rate Indemnity

The U.S. dollar is the sole currency of account for each tranche of the Notes and payment for all sums payable by the Issuer under that tranche of the Notes, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the Issuer's winding-up or dissolution or otherwise) by a Noteholder with respect to any amount due to it under the Notes will constitute a discharge to the Issuer only to the extent that the Noteholder is able to purchase with the amount it receives or recovers the relevant amount in U.S. dollars (or if it is not practicable to make a purchase of U.S. dollars on that date, on the first date on which it is practicable to do so). If the amount in U.S. dollars is less than the amount expressed to be due to the Noteholder, the Issuer will indemnify the Noteholder against any loss sustained as a result. In any event, the Issuer will indemnify the Noteholder against the cost of any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the Noteholder to certify in a satisfactory manner (indicating sources of information used) that it would have suffered a loss had it made an actual purchase of U.S. dollar with the amount it received or recovered in the other currency on the date it received or recovered that amount (or, if a purchase of U.S. dollars on that date had not been practicable, on the first date on which it would have been practicable, so long as the Noteholder certifies the need for the change of date).

These indemnities are a separate and independent obligation from the Issuer's other obligations, will give rise to a separate and independent cause of action, will apply regardless of any waiver or extension granted by the Noteholder and will continue in full force and effect in spite of any other judgment or order or the filing of any proof of claim in the winding-up of the Issuer's company for a liquidated sum.

FORM OF THE NOTES

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global Note or Notes in fully registered form without interest coupons (or the Regulation S Global Note) and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (or the Restricted Global Note and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The Notes will be subject to certain restrictions on transfer as described in "Transfer Restrictions." On or prior to the 40th day after the later of the commencement of the offering and the closing date of this offering, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (or a Restricted Global Note Certificate). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before, on or after such 40th day, only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act (or a Regulation S Global Note Certificate). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under "—Global Notes," owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The Notes are not issuable in bearer form.

Global Notes

Upon the issuance of the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC (or DTC Participants) or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the Indenture and the Notes. Unless DTC notifies us that it is unwilling or unable to continue as depositary for a global note, or ceases to be a "*clearing agency*" registered under the Exchange Act, or any of the Notes becomes immediately due and payable in accordance with "Description of the Notes—Events of Default," owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of Notes in individual definitive form and will not be considered the owners or holders of the global note (or any Notes represented thereby) under the Indenture or the Notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear and Clearstream, Luxembourg).

DTC has advised that it will take any action permitted to be taken by Noteholders (including the presentation of Notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such

portion of the aggregate principal amount of the Notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for individual definitive Notes (in the case of Notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the Notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "*clearing corporation*" within the meaning of the Uniform Commercial Code and a "*Clearing Agency*" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (or indirect participants).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Clearstream, Luxembourg or Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the Trustee will have any responsibility for the performance of DTC, Euroclear or Clearstream, Luxembourg or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary and a successor depositary is not appointed by us within 90 days or (2) any of the Notes has become immediately due and payable in accordance with "Description of the Notes—Events of Default," we will issue individual definitive Notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from us, DTC or the Trustee, as the case may be, we will use our best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive Notes and cause the requested individual definitive Notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for individual definitive Notes will be required to provide the registrar with (x) written instructions and other information required by us and the registrar to complete, execute and deliver such individual definitive Notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive Notes delivered in exchange for any global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive Notes issued in exchange for the Restricted Global Note, such individual definitive Notes will bear, and be subject to, the legend described in "Transfer Restrictions" (unless we determine otherwise in accordance with applicable law). The holder of a restricted individual definitive Note may transfer such Note, subject to compliance with the provisions of such legend, as provided in "Description of the Notes." Upon the transfer, exchange or replacement of Notes bearing the legend, or upon specific request for removal of the legend on a Note, we will deliver only Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive Note may be transferred to a person who takes delivery in the form of an

interest in any global note, the transferor will be required to provide the Trustee with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive Notes will not be eligible for clearing and settlement through Euroclear, Clearstream, Luxembourg or DTC.

TAXATION

Prospective investors 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 the interest and the sale, redemption or repayment of the notes.

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, or Non-Resident Holder. 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.

The earnings, capital gains, and income of foreign companies and persons not resident in Brazil are taxed in Brazil when derived from Brazilian sources or when the transaction giving rise to such earnings/capital gains/income involves assets in Brazil and/or when the transactions are carried out with individuals or legal entities resident or domiciled in Brazil.

Interest Payments Under the Notes

Individuals domiciled in Brazil and Brazilian companies, entities and organisations are taxed in Brazil on the basis of their worldwide income (which includes earnings of Brazilian companies' foreign subsidiaries, branches and affiliates). The earnings of foreign companies and individuals not residents in Brazil could be taxed in Brazil when derived from Brazilian sources or when the transaction giving rise to such earnings involves assets in Brazil.

Interest income (which for the purposes of this paragraph includes any deemed income on the difference between the issue price of the Notes and the price at which the Notes are redeemed) payable by an issuer or guarantor resident in Brazil to an individual, company, entity, trust or organisation domiciled outside Brazil is subject to income tax withheld at source.

Brazilian tax laws expressly authorise the payer to pay the income or earnings net of taxes and, therefore, to withhold the applicable tax. In case the foreign beneficiary intends to receive the entire original amount net of such withholding taxation, the corresponding calculation basis should be grossed up, thus increasing the effective tax burden. The rate of withholding tax with respect to interest and income from financial operations is generally 15.0%, or 25.0% if the beneficiary is located in a tax haven jurisdiction, as defined by Brazilian tax laws from time to time (please see the discussion below). However, in case of payments of interests, fees, commissions (including any original issue discount and any redemption premium) related to the international placement of international debt securities previously authorized by the Central Bank the withholding income tax rate is 15.0% even if the beneficiary is domiciled in a tax haven jurisdiction as provided by section 10 of Normative Act No. 252/02. Note that a lower rate could be applied if provided for in an applicable tax treaty between Brazil and the other country where the beneficiary is domiciled.

Brazil and Japan are signatories to a treaty, or the Japanese Treaty, for the avoidance of double taxation that provides for a rate of 12.5% for Brazilian withholding income tax in respect of interest payable to a Japanese resident under debt obligations. We believe and intend to take the position that for Brazilian tax purposes, as long as the principal paying agent is organized under the laws of Japan, interest with respect to the notes should be subject to Brazilian withholding tax at a rate of 12.5% under the Japanese Treaty. For such purpose, the paying agent must be authorized to receive the payment on behalf of the holders of the notes and granted power to release the payment to the holders of the notes, in which case the Brazilian debtor is released from the payment. However, this is a controversial issue not definitively settled by Brazilian courts. The Brazilian debtor will be responsible for the determination of the applicable rate and for any queries that may arise in respect of this. If the Issuer is not able to rely on such treaty to make the payments, and/or the payments are not made by Issuer to the principal paying agent, any such payments will be subject to the Brazilian withholding tax at the rates referred to in the preceding paragraph.

Capital Gains

According to Section 26 of Law No. 10,833, dated December 29, 2003, gains assessed on the sale or other disposal of assets located in Brazil by non-residents, whether to other non-residents or Brazilian residents, may become subject to taxation in Brazil. Although we believe that the notes should not fall within the

definition of assets located in Brazil for purposes of Law No. 10,833, considering the general and unclear scope of Law No. 10,833 and the absence of judicial court rulings in respect thereto, they are unable to predict how Law No. 10,833 would be interpreted in the Brazilian courts. If this understanding does not prevail, gains realized by a Non-Resident Holder from the sale or disposition of the notes may be subject to income tax in Brazil at a rate of 15% or 25% if the non-resident is located in a tax haven jurisdiction, as defined by Brazilian law from time to time.

On June 23, 2008, Law No. 11,727 enlarged the concept of a tax haven jurisdiction and introduced the concept of "Privileged Tax Regime," which is considered to be a regime that (i) does not tax income or taxes income at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or dependency, or (b) conditioned on the non-exercise of a substantial economic activity in the country or dependency; (iii) does not tax income generated outside the jurisdiction, or that taxes such income at a maximum rate lower than 20%; or (iv) does not provide access to information related to shareholding composition, ownership of goods and rights or the economic transactions carried out. In addition, on June 7, 2010, the Brazilian tax authorities enacted Ordinance No. 1,037, as amended, listing (i) the countries and jurisdictions considered Favorable Tax Jurisdiction, and (ii) the Privileged Tax Regimes. Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that such concept of "privileged tax regime" shall be solely applied for purposes of the observance of transfer pricing and thin capitalization rules, it is still not clear whether this "Privileged Tax Regime" concept will also be applied to interest payments made to Non-Resident Holders in respect of the notes.

However, if the Brazilian tax authorities determine that interest payments on the notes will be made to a recipient that will benefit from a "privileged tax regime," such payments could be subject to Brazilian withholding tax at a rate of 25%. Potential investors should consult with their own tax advisors regarding the consequences of the implementation of Law No. 11,727, Ordinance No. 1,037 and of any related Brazilian tax law or regulation concerning Favorable Tax Jurisdiction and "Privileged Tax Regimes".

Other Tax Considerations

IOF/*Câmbio* may apply if payments are made from Brazil. Pursuant to Decree No. 6,306, of December 14, 2007, the conversion of foreign currency into Brazilian *reais* and the conversion of Brazilian *reais* into foreign currency are subject to the IOF/*Câmbio*. Currently, the IOF/*Câmbio* rate is 0.38% for most transfers of foreign currency into *reais*. According to Section 15-A of the Decree No. 6,306, the settlement of exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, are subject to IOF/*Câmbio* at a zero percent rate. However, in the case of the settlement of foreign exchange transactions (including simultaneous foreign exchange transactions) agreed from April 7, 2011, in connection with the inflow of proceeds to Brazil deriving from foreign loans, including those obtained through the issuance of notes in the international market, with the minimum average term not exceeding 720 days, the IOF/*Câmbio* tax rate is 6% (this rate of 6% will be levied with penalties and interest in the case of financings or international bonds with a minimum average term longer than 720 days in which an early redemption occurs in the first 720 days). However, the Brazilian Government may increase the current IOF/*Câmbio* rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

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. Under Brazilian law, the transfer of a note by gift made by a holder (whether or not a non-resident holder) and involving a resident of Brazil may be subject to Gift Tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed on the donee by the state in which such Brazilian resident resides.

Prospective purchasers of the notes are advised to consult their own tax advisers as to the consequences of a purchase of the notes under the tax laws of the country of which they are residents, including without limitation, the consequences of receipt of interest and sale or redemption of the notes.

Certain United States Federal Income Tax Considerations

The discussion of U.S. tax matters set forth in these listing particulars was written in connection with the promotion or marketing by us of the Notes and was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding penalties under U.S. federal, state or local tax law. Each taxpayer should seek advice based on its particular circumstances from an independent tax adviser.

* * * * *

The following summary discusses certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the notes. Except as specifically noted below, this discussion applies only to notes purchased on original issuance at their "issue price," which is set out on the cover page of these listing particulars, notes held as capital assets (generally, property held for investment), and U.S. holders (as defined below).

The Issuer will treat the notes as indebtedness for U.S. federal income tax purposes unless the Issuer receives either (i) an IRS determination that the notes must be treated as equity for U.S. federal income tax purposes or (ii) an opinion of independent internationally recognized U.S. tax counsel to the effect that, based upon a change in the U.S. federal income tax law applicable to the notes, the notes should be treated as equity for U.S. federal income tax purposes. Accordingly, this summary is based upon the assumption that the notes will be characterized as indebtedness for U.S. federal income tax purposes. The Issuer does not expect, and this discussion assumes, the notes to be classified as "contingent payment debt instruments" for U.S. federal income tax purposes. Prospective purchasers should recognize, however, that there is some uncertainty regarding the appropriate characterization of instruments such as the notes, and no rulings have been or will be sought from the IRS with respect to the appropriate characterization of the notes for U.S. federal income tax purposes. It is possible that the IRS might contend that the notes should be treated not as indebtedness but as equity in the Issuer or that the notes are classified as "contingent payment debt instruments." Any such recharacterization might result in material adverse consequences to U.S. Holders of the notes. Prospective investors should consult their own advisors with respect to these matters and the significance of a possible recharacterization in their particular situations.

This discussion does not describe all of the tax consequences that may be relevant in light of a holder's particular circumstances or to holders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- traders in securities or currencies electing to mark their positions to market;
- regulated investment companies;
- U.S. expatriates;
- tax-exempt organizations;
- persons holding notes as part of a hedging transaction, "straddle," conversion transaction or other integrated transaction;
- persons subject to the alternative minimum tax;
- U.S. holders whose functional currency is not the U.S. dollar; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

In addition this summary does not address consequences to U.S. holders of the acquisition, ownership and disposition of a note under the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

This summary is based on the Internal Revenue Code of 1986, as amended, (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, each as of the date hereof, changes to any of which subsequent to the date of these listing particulars may affect the tax consequences described below.

U.S. holders

As used herein, the term "U.S. holder" means a beneficial owner of a note that is for U.S. federal income tax purposes:

- an individual that is a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. A partnership considering an investment in notes should consult its own tax advisers about the consequences to its partners of the acquisition, ownership or other disposition of notes by the partnership.

Prospective purchasers should consult their own tax advisers as to the particular tax considerations for them relating to the acquisition, ownership and disposition of a note, including the applicability of any U.S. federal, state, local or non-U.S. tax laws, any changes in applicable tax laws, and any pending or proposed legislation or regulations.

Payments of interest

Payments of interest on a note (and additional amounts, if any) generally will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the holder's regular method of accounting for U.S. federal income tax purposes. Interest income earned by a U.S. holder with respect to a note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in determining the U.S. holder's ability to claim foreign tax credits.

For U.S. federal income tax purposes, U.S. holders will be treated as having received the amount of any Brazilian taxes withheld by us and as then having paid over the withheld taxes to the Brazilian taxing authorities. As a result of this rule, the amount included in gross income for U.S. federal income tax purposes by a U.S. holder with respect to a payment of interest, plus any additional amounts with respect thereto, will be greater than the amount of cash actually received (or receivable) by the U.S. holder from us with respect to the payment. Subject to certain limitations (including minimum holding period requirements), a U.S. holder will generally be entitled to a credit against its U.S. federal income tax liability, or in computing its U.S. federal taxable income, for Brazilian income taxes withheld by us. Alternatively, the U.S. holder may take a deduction for the foreign income tax if the U.S. holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued during the taxable year. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For these purposes, interest received or accrued on the notes generally will constitute "passive category income." The rules governing foreign tax credits are complex and, therefore, U.S. holders should consult their own tax advisers concerning the availability and the utilization of the foreign tax credit or deduction.

Sale, exchange or retirement of the notes

Upon the sale, exchange or retirement of a note, a U.S. holder generally will recognize U.S. source capital gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the holder's adjusted tax basis in the note. A U.S. holder's adjusted tax basis in a note generally will equal the acquisition cost of the note. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid interest on the note, which will be treated like a payment of interest, as discussed above.

Gain or loss realized on the sale, exchange or retirement of a note will be long-term capital gain or loss if at the time of sale, exchange or retirement the note has been held for more than one year. The deductibility of capital losses is subject to limitations.

Gain realized by a U.S. holder on the sale, exchange or retirement of a note generally will be treated as U.S. source income. Consequently, if Brazilian income tax is withheld on such gain, the U.S. holder may not be able to use the corresponding foreign tax credit, unless the holder has other foreign-source income. Alternatively, the U.S. holder may take a deduction for the foreign income tax if the U.S. holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued during the taxable year. The U.S. foreign tax credit or deduction rules are very complex. U.S. holders should consult their own advisers with respect to the application of these rules to their particular circumstances.

Information reporting and backup withholding

U.S. holders may be subject to information reporting on the amounts paid to them (including additional amounts, if any), unless they provide proof of an applicable exemption. A U.S. holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle them to a refund, provided that the required information is timely furnished to the IRS.

U.S. holders should consult their own tax advisers regarding any reporting or filing obligations that may arise as a result of their acquiring, owning or disposing of the notes.

CERTAIN ERISA AND OTHER CONSIDERATIONS

ERISA imposes certain requirements on "employee benefit plans" (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds, separate accounts and other entities whose underlying assets include the assets of such plans, or (collectively) ERISA Plans, and on those persons who are fiduciaries with respect to ERISA Plans.

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 Title I of ERISA but that are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans or entities deemed to hold the assets of such plans, or (together with ERISA Plans) Plans, and certain persons (referred to as "parties in interest," or disqualified persons) having certain relationships to Plans, unless a statutory or administrative exemption 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 Section 4975 of the Code.

Any Plan fiduciary who proposes to cause a Plan to purchase the 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 purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Non-U.S. plans, governmental plans and certain church 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 US federal, state or local laws or regulations, or non-U.S. laws or regulations, that are substantially similar to the foregoing provisions of ERISA and the Code, or Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

The fiduciary of a Plan that proposes to purchase and hold any notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Bank, the initial purchasers, the trustee, the paying agent, the registrar, the listing agent, the transfer agent or the DTC, or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the notes on behalf of a Plan, Section 408(b)(17) of ERISA, Prohibited Transaction Class Exemption, or PTCE, 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager, or (collectively) the Class Exemptions) could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the notes.

Accordingly, any purchaser of notes (or any interest therein) will be deemed to have represented and agreed that either (i) it is not and for so long as it holds the notes or any interest therein will not be (and is not acquiring the notes (or any interest therein) directly or indirectly with the assets of a person who is or while the notes are held will be) a Plan or a plan subject to Similar Law, or (ii) its purchase and holding of the notes or any interest therein will not constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code for which an exemption is not available or a violation of Similar Law.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATION OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in the purchase agreement dated February 26, 2012, or the purchase agreement, among us and the initial purchasers, we have agreed to sell, and the initial purchasers have agreed, severally not jointly, subject to certain conditions, to purchase, the following principal amount of notes:

Initial Purchasers	Principal Amount
Credit Suisse Securities (USA) LLC.	U.S.$250,000,000
Deutsche Bank Securities Inc.	U.S.$250,000,000
Total	**U.S.$500,000,000**

The purchase agreement provides that the obligation of the initial purchasers to pay for and accept delivery of the notes is subject to the conditions specified in the purchase agreement, including the delivery of legal opinions by its counsel. Subject to the terms and conditions of the purchase agreement, the initial purchasers are obligated to take and pay for all of the notes offered hereby if any notes are taken. In the purchase agreement, subject to the conditions thereof, the initial purchasers have agreed to purchase the notes at a discount. We have been advised by the initial purchasers that they propose to offer and sell the notes initially to investors at the offering price set forth on the cover page of these listing particulars and that after the initial offering, the price to investors may be changed.

The purchase agreement provides that we will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments the initial purchasers may be required to make in respect thereof.

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to U.S. persons (other than distributors) unless they are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "Transfer Restrictions." We have been advised by the initial purchasers that they propose to resell the notes initially to qualified institutional buyers (as defined in Rule 144A) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and to non-U.S. Persons in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

The initial purchasers have agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the original issuance date of the notes, within the United States or to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A, and they will send to each distributor, dealer or other person receiving a selling concession or similar fee to which they sell notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing 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. In addition, until the expiration of the 40-day restricted period referred to above, an offer or sale of notes within the United States by a dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or pursuant to another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Prior to this offering, there has been no established market for the notes. Application has been made to list the notes on the Irish Stock Exchange. We have been advised by the initial purchasers that they currently intend to make a market in the notes as permitted by applicable laws and regulations. The initial purchasers are not obligated, however, to make a market in the notes and any such market-making may be discontinued at any time at the sole discretion of the initial purchasers. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of, or the development or continuation of trading markets for, the notes.

In connection with this offering, the initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchasers may bid for and purchase notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. In addition, if the initial purchasers create a short position in the notes in connection with the offering by selling more notes than are listed on the cover page of these listing particulars, then the initial purchasers may reduce that short

position by purchasing notes in the open market. The initial purchasers may also impose penalty bids, which would permit the initial purchasers to reclaim a selling concession from a dealer when the notes originally sold by those initial purchasers are purchased in a covering transaction to cover short positions. In general, purchases of a security for the purpose of stabilizing or reducing a short position could cause the price of that security to be higher than it might otherwise have been in the absence of those purchases.

We have agreed with the initial purchasers that we will not, and we will not permit our subsidiaries to, without the prior written consent of the initial purchasers, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose on the international capital markets of any U.S. dollar denominated debt securities similar to the notes for a period of 30 days from the date of the final listing particulars.

No action has been or will be taken in any country or jurisdiction by us or the initial purchasers that would permit a public offering of notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands these listing particulars comes are required by us and the initial purchasers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver notes or have in their possession or distribute such offering material, in all cases at their own expense.

Initial purchasers of the notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of these listing particulars.

The initial purchasers have from time to time in the past provided, and may in the future provide, investment banking, financial advisory and other services to us and our affiliates for which it has received or expects to receive customary fees.

Brazil

The notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. Therefore, each of the Bookrunners has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

United Kingdom

Each of the initial purchasers has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(ii) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the initial purchasers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

The listing particulars have not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the initial purchasers may not offer nor sell the notes pursuant to an offering nor make the notes the subject of an invitation for subscription or purchase, nor will the initial purchasers circulate or distribute these listing particulars or and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the notes, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the notes should note that any subsequent sale of the notes acquired pursuant to an offer in these listing particulars made under exemptions (a) or (b) above within a period of six months from the date of initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA), (ii) relevant persons as defined in Section 275(2) of the SFA, and (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, or (each a) **Relevant Member State**, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the **Relevant Implementation Date**, the notes which are the subject of the offering contemplated by these listing particulars will not be offered to the public in that Relevant Member State other than any offers in any Relevant Member State where from the time a prospectus has been approved by the competent authority in that Relevant Member State and published and, if applicable, notified to the relevant competent authority or authorities in accordance with the Prospectus Directive as implemented in such Relevant Member State, and provided that the issuer has consented in writing to use of a prospectus for any such offers, except that the notes may, with effect from and including the Relevant Implementation Date, be offered to the public in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) 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), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant initial purchaser or initial purchasers nominated by the issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the issuer or any initial purchaser 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.

Germany

The notes offered by these listing particulars have not been and will not be offered to the public within the meaning of the German Sales Prospectus Act (*Verkaufsprospektgesetz*) or the German Investment Act (*Investmentgesetz*). The notes have not been and will not be listed on a German exchange. No sales prospectus pursuant to the German Sales Prospectus Act has been or will be published or circulated in Germany or filed with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any other governmental or regulatory authority in Germany. These listing particulars do not constitute an offer to the public in Germany and it does not serve for public distribution of the notes in Germany. Neither these listing particulars, nor any other document issued in connection with this offering, may be issued or distributed to any person in Germany except under circumstances which do not constitute an offer to the public within the meaning of the German Sales Prospectus Act or the German Investment Act.

Switzerland

These listing particulars do not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The notes will not be listed on the SIX Swiss Exchange and, therefore, these listing particulars may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, neither the notes nor any marketing material may be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the notes with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

Portugal

Each initial purchaser has represented and agreed that the notes may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (*Código de Valores Mobiliários* as approved by the Decree-Law No. 486/99 of November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the notes nor a public offer for the sale of the notes shall be promoted in Portugal.

Spain

Each initial purchaser has acknowledged that the notes may not be offered or sold in the Kingdom of Spain by means of an offer as defined and construed by Spanish law and has represented that it will not offer, promote or sell in the Kingdom of Spain any notes except in accordance with the requirements of the Spanish Securities Market Law (*Ley del Mercado de Valores*) of July 28, 1988, as amended and restated, and Royal Decree No. 291/1992 on Issues and Public Offerings of Securities (*Real Decreto sobre Emisiones y Ofertas Publicas de Valores*), as amended and restated.

Italy

This offering has not been registered with the Commissione Nazionale per le Società e la Borsa (CONSOB) pursuant to Italian securities legislation. The notes offered by these listing particulars may not be offered or sold nor may these listing particulars or any other offering materials be distributed in the Republic of Italy unless such offer, sale or distribution is:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of September 1, 1993 (Decree No. 385), Legislative Decree No. 58 of February 24, 1998, CONSOB Regulation No. 11971 or May 14, 1999 and any other applicable laws and regulations;

- made (i) to professional investors (*operatori qualificati*) as defined in Article 31, second paragraph of CONSOB Regulation No. 11422 of July 1, 1998, as amended, or Regulation No. 11522, (ii) in circumstances where an exemption from the rules governing solicitations to the public at large applies pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended or (iii) to persons located in the Republic of Italy who submit an unsolicited request to purchase notes; and

- in compliance with all relevant Italian securities and tax laws and regulations.

TRANSFER RESTRICTIONS

The notes have not been registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements thereof. Accordingly, the notes are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act, or Rule 144A) in compliance with Rule 144A, or (2) outside the United States to non-U.S. persons in reliance upon Regulation S under the Securities Act. As used in this section, the terms "United States," "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S.

Each purchaser of notes or beneficial owner of the notes that is not a non-U.S. person, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the initial purchasers as follows:

1. It is:

   - a qualified institutional buyer, is aware that the sale of the notes to it is being made in reliance on Rule 144A and is acquiring the notes for its own account or for the account of a qualified institutional buyer; or

   - not a U.S. person and is purchasing the notes outside the United States in compliance with Regulation S.

2. It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the notes have not been registered under the Securities Act.

3. If it is acquiring the notes in a sale made in reliance upon Rule 144A, it will not offer, resell, pledge or otherwise transfer notes prior to the date that is one year after the later of the original issue date of the notes and the last date on which we or any of our affiliates was the owner of that note (or any predecessor of that note) except:

   - to us;

   - inside the United States to a qualified institutional buyer in compliance with Rule 144A;

   - outside the United States to non-U.S. persons in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S;

   - in a transaction complying with Rule 144 under the Securities Act (if available); or

   - pursuant to an effective registration statement under the Securities Act,

   in each case in accordance with any applicable securities laws of any state of the United States and other jurisdictions. In addition, it will, and each subsequent holder is required to, notify any subsequent purchaser of those notes from it of the resale restrictions referred to above.

4. If it is acquiring the notes in a sale being made in reliance upon Rule 144A, it understands that the notes will, until one year after the later of the original issue date of the notes and the last date on which we or any of our affiliates was the owner of that note (or any predecessor of that note), unless otherwise agreed by us and the noteholder, bear a legend substantially to the following effect:

   "This security has not been registered under the Securities Act or the securities laws of any state or other jurisdiction. Neither this security nor any interest or participation herein may be reoffered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of within the United States, or for the account or benefit of U.S. persons, in the absence of such registration or unless such transaction is exempt from, or not subject to, such registration.

The holder of this security by its acceptance hereof (1) represents that it is a "qualified institutional buyer" (as defined in Rule 144A) purchasing this security for its own account or for the account of one or more qualified institutional buyers; (2) agrees to offer, sell or otherwise transfer such security, prior to the date, or the resale restriction termination date, which is one year after the later of the original issue date hereof and the last date on which the issuer or any affiliate of the issuer was the owner of this security (or any predecessor of such security), only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer," that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act, (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed upon the request of the holder after the resale restriction termination date."

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 BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED EITHER THAT (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (AND IS NOT ACQUIRING THE NOTES (OR ANY INTEREST THEREIN) DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THIS NOTE (OR ANY INTEREST HEREIN) IS HELD WILL BE) A PLAN, AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH PLAN, OR A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR FOREIGN LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (II) ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW, OR FOREIGN LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

5. If it is acquiring the notes in a sale being made in reliance upon Regulation S, it understands that the notes will, until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S, bear a legend substantially to the following effect:

"This security has not been registered under the Securities Act, or the securities laws of any state or other jurisdiction, and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except as set forth in the following sentence. By its acquisition hereof, the holder (1) represents that it is not a U.S. person, is not acquiring this security for the account or benefit of a U.S. person and is acquiring this security in an offshore transaction, (2) by its acceptance hereof, agrees to offer, sell or otherwise transfer such security only (a) to the issuer or any affiliate thereof, (b) pursuant to a registration statement that has been declared effective under the Securities Act, (c) for so long as the notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a "qualified institutional buyer" as defined in Rule 144A that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (d) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or 904 under Regulation S under the Securities Act or (e) pursuant to another available

exemption from the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction and (3) agrees that it will deliver to each person to whom this security is transferred a notice substantially to the effect of this restrictive legend. This legend will be removed after 40 consecutive days beginning on and including the later of (a) the day on which the notes are offered to persons other than distributors (as defined in Regulation S) and (b) the date of the closing of the original offering. As used herein, the terms "offshore transaction," "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act.

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 BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED EITHER THAT (I) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (AND IS NOT ACQUIRING THE NOTES (OR ANY INTEREST THEREIN) DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE THIS NOTE (OR ANY INTEREST HEREIN) IS HELD WILL BE) A PLAN, AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH PLAN, OR A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW, OR FOREIGN LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (II) ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW, OR FOREIGN LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

6. If it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, it agrees that until the expiration of a 40-day "distribution compliance period" within the meaning of Rule 903 of Regulation S under the Securities Act, no offer or sale of the notes shall be made by it to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902(o) of the Securities Act except to a qualified institutional buyer and in compliance with the applicable restrictions set forth in paragraph (4) above.

7. It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with.

8. It acknowledges that we and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by its purchase of notes are no longer accurate, it will promptly notify us and the initial purchasers. If it is acquiring any notes as a fiduciary or agent for one or more investor accounts, it represents that is has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

9. It will be deemed to have represented and agreed either that (i) it is not and for so long as it holds notes (or any interest therein) will not be (and is not acquiring the notes (or any interest therein) directly or indirectly with the assets of a person who is or while the notes (or any interest therein) are held will be) a Plan or (ii) its purchase and holding of the notes (or any interest therein) will not constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code for which an exemption is not available or a violation of similar law.

The applicable resale restriction periods referred to above may be extended, in our discretion, in the event of one or more issuances of additional notes as described under "Description of the Notes – Additional

Notes." The legends described above (including the restrictions on resale specified therein) may be removed solely in our discretion and at our direction.

Each purchaser of notes will be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes.

Each person purchasing notes from the initial purchasers or through an affiliate of the initial purchasers pursuant to Rule 144A, by accepting delivery of these listing particulars, acknowledges that (i) it has not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of the information contained in these listing particulars or its investment decision; and (ii) no person has been authorized to give any information or to make any representation concerning us or the notes other than those contained in these listing particulars and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

Any resale or other transfer, or attempted resale of other transfer, made other than in compliance with the above stated restrictions shall not be recognized by us.

We have prepared these listing particulars solely for use in connection with the offer and sale of the notes outside the United States and for the private placement of the notes in the United States. We and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of notes offered pursuant to Rule 144A. These listing particulars do not constitute an offer to any person in the United States other than any QIB under the Securities Act to whom an offer has been made directly by the initial purchasers or an affiliate of the initial purchasers.

Each purchaser of notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells notes or possesses or distributes these listing particulars or any part of it and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or resales, and neither the company nor the initial purchasers shall have any responsibility therefor.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

We are structured as a mixed-capital corporation (*sociedade de economia mista*) organized under the laws of Brazil. Substantially all of our directors and executive officers 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 Indenture, we will: (i) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York shall have exclusive 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; and (ii) name an agent for service of process in the Borough of Manhattan, The City of New York. See "Description of the Notes—Submission to Jurisdiction."

We have been advised by Pinheiro Neto Advogados, our Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of such countries, including the securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. A judgment against either us or any other person referred to 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 (*Superior Tribunal de Justiça*). That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is issued;
- 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 article 17 of Decree Law No. 4,657, of September 4, 1942, as amended).

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 and certain of our officers. 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 property in Brazil that may ensure such payment. This bond must be sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge usually fixed between 10% to 20% of 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 (*Superior Tribunal de Justiça*), nor to the exceptions set forth in certain limited circumstances (enforcement of extrajudicial instruments (which does not include the notes) that may be enforced in Brazil without the review of their merits (*títulos executivos extrajudiciais*) and counterclaims (*reconvenções*)) under Article 836 of such code.

See also "Regulation of the Brazilian Banking Industry—Intervention, Administrative Liquidation and Bankruptcy—Bankruptcy Law."

LEGAL MATTERS

The validity of the notes will be passed upon for us by Clifford Chance, our U.S. counsel, and for the initial purchasers by Shearman & Sterling LLP, their U.S. counsel. Matters of Brazilian law will be passed upon by Pinheiro Neto Advogados, special Brazilian counsel for us, and Machado, Meyer, Sendacz e Opice Advogados, special Brazilian counsel for the initial purchasers.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for the years ended December 31, 2010, 2009 and 2008 included in these listing particulars, have been audited by Deloitte Touche Tohmatsu Auditores Independentes, independent auditors, as stated in their independent auditor's reports appearing elsewhere in these listing particulars. Deloitte Touche Tohmatsu Auditores Independentes is an independent auditor registered under number CRC No. 2 SP 011.609/O-8/F/RS with the Regional Accounting Council of the State of Rio Grande do Sul (*Conselho Regional de Contabilidade do Estado do Rio Grande do Sul - CRC-RS*).

With respect to the unaudited interim financial information for the nine-month period ended September 30, 2010 which is included herein, Deloitte Touche Tohmatsu Auditores Independentes, an independent auditor, have applied limited procedures in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON) for a review of such information. However, as stated in their reports, they did not audit and they did not express an opinion on the interim financial information as of and for the nine-month period ended September 30, 2010. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied.

With respect to the unaudited interim financial information for the nine-month period ended September 30, 2011, Ernst & Young Terco Auditores Independentes S.S., an independent auditor, have applied limited procedures in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON) for a review of such information. However, as stated in their report for the nine-month period ended September 30, 2011 herein, they did not audit and they did not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Ernst & Young Terco Auditores Independentes S.S. is an independent auditor registered under number CRC No. 2SP-015.199/O-6/F-RS with the Regional Accounting Council of the State of Rio Grande do Sul (*Conselho Regional de Contabilidade do Estado do Rio Grande do Sul - CRC-RS*).

GENERAL INFORMATION

The issuance and terms of the notes have been authorized by us pursuant to resolutions of our Board of Directors adopted on October 17, 2011. All consents, approvals, authorizations and other orders of all regulatory authorities under the laws of Brazil have been obtained for the issuance of the notes and are in full force and effect, except for (i) the electronic registration of the financial terms and conditions of the notes in the or ROF; (ii) the registration in the ROF of the relevant schedule of payments; (iii) the obtaining of further authorizations from the Central Bank to make payments outside Brazil other than scheduled payments of principal, interest, commissions, fees and expenses as contemplated by the ROF; and (iv) any necessary amendments to the ROF in order to enable the payments earlier than the due date thereof.

Application has been made to admit the notes on the Global Exchange Market of the Irish Stock Exchange. We estimate that total expenses related to application for trading will be €4,940.

As set forth in Article 10 of our by-laws, our objective is to contribute to the development and distribution of goods through financial and technical assistance and includes, without limitation, the performance of all direct, indirect and accessory banking transactions, the rendering of banking services and intermediation and financial support services in their multiple forms and the exercise of any activity that can be performed by members of Brazil's National Financial System. Electronic versions of our by-laws are available on our website at http://www.banrisul.com.br. Our website is provided for information purposes only, and the information contained therein should not be considered part of these listing particulars. Physical copies of our by-laws are available at the offices of the Irish listing agents and physical copies of the indenture (containing the forms of the notes) will be available for inspection at the office of the trustee (currently The Bank of New York Mellon) and the listing agent for the notes on the Irish Stock Exchange (currently The Bank of New York Mellon (Ireland) Limited). In addition, physical copies of our most recent audited financial statements, if any, may be obtained at those offices.

Our preferred shares trade on São Paulo Stock Exchange and we are subject to the periodic reporting and disclosure requirements established by the CVM and applicable to Brazilian publicly-held companies. We produce audited annual and semi-annual financial statements in Portuguese and English prepared in accordance with Brazilian GAAP. Copies of all such financial statements, including our financial statements as and for the years ended December 31, 2010, 2009 and 2008 and our financial statements as of and for the nine-month periods ended September 30, 2011 and 2010 contained herein and prepared in accordance with Brazilian GAAP, may be obtained from our offices and our website. Since September 30, 2011, there has been no material adverse change in our financial condition.

Except as disclosed in these listing particulars, there has been no material adverse change in our financial position, or any material change with respect to the trends affecting our business, since December 31, 2010, the date of the last audited financial statements included in these listing particulars.

Except as disclosed in these listing particulars, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering or which has had a significant effect on our financial position since September 30, 2011, nor so far as we are aware is any such ligation or arbitration pending or threatened.

The notes, the indenture and the Purchase Agreement are governed by and construed in accordance with the laws of the State of New York.

The notes have been accepted into the systems used by DTC. The CUSIP, ISIN and Common Code numbers, as applicable, for the notes are as follows:

	Restricted Global Note	**Regulation S Global Note**
CUSIP	5965B AA5	P12445 AA3
ISIN	US05965BAA52	USP12445AA33

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

We maintain our books and records in *reais*, the official currency of Brazil, and prepare our financial statements for statutory and regulatory purposes in accordance with the Brazilian GAAP, which are based on:

- Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97, Brazilian Law No. 10,303/01, Law No 11,638/07 and Brazilian Law No. 11,941/09, or the Brazilian corporation law; and

- the accounting standards established by the Standard Chart of Accounts for Financial Institutions (*Plano Contábil das Instituições do Sistema Financeiro Nacional*), or COSIF, Central Bank and the CMN.

Law No. 11,638/07 and Law No. 11,941/09 amended the Brazilian corporate law and introduced the process of conversion of financial statements into International Financial Reporting Standards, or IFRS. However, the Central Bank did not fully adopt, as part of the accounting practices applicable to financial institutions, the provisions of Law No. 11,638. Instead, pursuant to Central Bank Communication No. 14,259, financial institutions that meet certain criteria are required to prepare supplemental consolidated financial statements in accordance with IFRS as originally issued by IASB as from December 31, 2010. We are not including in these listing particulars our supplemental financial statements prepared in accordance with IFRS.

There are certain differences among Brazilian GAAP and IFRS (which incorporates all existing International Financial Reporting Standards, IAS, as well as IFRIC and SIC interpretations) which may be relevant to the financial information presented herein. This section makes no attempt to identify or quantify the impact of these differences, nor can we give you any assurances that all differences have been identified. The following is a summary of certain of those differences; however, this summary does not purport to be complete and should not be construed as exhaustive.

In reading this summary, prospective investors in the Notes should also have regard to the considerations:

- This summary includes differences among Brazilian GAAP and IFRS as of December 31, 2010. Differences resulting from changes in accounting standards or from transaction or events that had occurred prior to December 31, 2010 have not been taken into account in this summary.

- Differences among Brazilian GAAP and IFRS resulting from future changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and no attempt has been made to identify any future events, ongoing work and decisions of the regulatory bodies that promulgate Brazilian GAAP and IFRS that could affect future comparisons among Brazilian GAAP and IFRS. The current differences disclosed in this summary are not intended to be complete and are subject to, and qualified in their entirety by, reference to the respective pronouncements of Brazilian professional accounting bodies and those of the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

- As differences among Brazilian GAAP and IFRS may be significant to the financial position or results of operations of the Bank prospective investors unfamiliar with Brazilian GAAP should consult their own professional advisors for an understanding of the differences among Brazilian GAAP and IFRS and how those differences might impact the financial information presented herein.

- Unlike IFRS, under Brazilian GAAP there are no specific principles relating to certain matters such as business combinations, financial instruments, accounting and reporting for research and development costs.

This summary does not address differences related solely to the classification of amounts in the financial statements or footnote disclosures.

Account for the Effects of Inflation

Under Brazilian GAAP, because of the highly inflationary conditions which have prevailed in the past, a form of inflation accounting, referred to as monetary correction, has been in use for many years to minimize the impact of the distortions in financial statements caused by inflation. However, as from January 1, 1996 no inflation accounting adjustments are permitted for financial statements prepared under Brazilian GAAP.

Under IFRS, inflation accounting following the methodology prescribed by standard IAS 29 (Financial Reporting in Hyperinflationary Economies) is required for companies which report in local currency and which operate in hyper inflationary economies in which cumulative inflation has exceeded 100% over the preceding three years. However, other indicators prescribed by IAS 29 can be taken in conjunction with the 100% three year inflation limit. As a result, considering this quantitative limit for IFRS purposes, financial statements should be adjusted for the effects of inflation to the date on which the Brazilian economy was no longer deemed to be hyper inflationary, which was July 1, 1997. However, in practice considering all other factors January 1, 1997 may also be an acceptable date.

Foreign Currency Translation

Under Brazilian GAAP, the financial statements of subsidiaries operating in non highly inflationary currency environments are translated using the current exchange rate. Financial statements presented in highly inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken to the income statement.

Under IFRS, when translating financial statements into a different presentation currency (for example, for consolidation purposes), IFRS requires the assets and liabilities to be translated using the closing (year end) rate. Amounts in the income statement are translated using the average rate for the accounting period if the exchange rates do not fluctuate significantly. Any translation differences are reported in equity (other comprehensive income).

Equity Method of Accounting

In accordance with Brazilian GAAP, under the equity method of accounting, a company is required to record an original investment in the equity of another entity at cost which is thereafter periodically adjusted to recognize the investor's share of the investee's earnings, losses and dividend payments after the date of original investment. A Brazilian parent company is required to use the equity method of accounting to record investments in its subsidiaries (companies that are controlled by the parent company), on its stand alone financial statements, and its affiliates (companies in which the parent company owns at least 10% of the issued share capital without controlling it) over whose management it exerts influence or in which it owns 20% or more of the capital, if the aggregate book value of all such investments is equal to or greater than 15% of the net worth of the parent company or if the book value of an investment in any single subsidiary or affiliate is equal to or greater than 10% of the net worth of the parent company. If the parent company is registered with the CVM, the subsidiary companies must be consolidated if their aggregate book values exceed 30% of shareholders' equity of the parent company, or if the parent company has control over management decisions of any single affiliate or if the investee is financially dependent on the parent company. In the case of financial institutions, investments in subsidiaries are required by the Central Bank to be recorded using the equity method of accounting regardless of their significance. In addition, the exchange variation resulting from investments in subsidiaries abroad is required by the Central Bank to be recorded as equity pick up in subsidiaries in the income statement. The Accounting Practices Adopted in Brazil establish certain factors that are indicative of the fact that the company exerts influence.

Under IFRS (IAS 28), the equity method of accounting is applicable to those investments: (i) in which the investor has significant influence over the investee, which is generally represented by 20% or more of the voting power, without controlling the entity where consolidation is required (see topic below).

Consolidation and Proportional Consolidation

Under Brazilian GAAP, as per CVM Instruction No. 247 of March 27, 1996, as amended by CVM Instructions Nos. 269/97, 285/98 and 469/08 for fiscal years ending after December 1, 1996, inclusive, financial statements should consolidate the following entities: (a) entities on which the company has voting rights that provides it with the ability to have the majority on the social decisions and to elect the majority of the members of the Board; (b) overseas branches; and (c) companies under common control or controlled by shareholders agreements irrespective of the participation in voting stock. Joint ventures, including investees in which the company exerts significant influence through its participation in a shareholders agreement in which such group controls the investee, are to be accounted for under the proportional consolidation method. Under Brazilian GAAP, before August 2004 there were no specific pronouncements in relation to the consolidation of special purpose entities, or SPEs. In August 2004, the CVM issued Instruction 408, which requires companies subject to the regulation of CVM to consolidate SPEs when the nature of their relationship with the reporting company indicates that the activities of the SPEs are controlled or jointly controlled, directly or indirectly, by the

reporting company. Consolidation is required in annual consolidated financial statements for financial years ending after January 1, 2005, with earlier application permitted. Instruction 408 provides guidelines as to when the reporting company should be considered to control or jointly control the activities of the SPEs.

Under IFRS (IAS 27-Revised), the usual condition for consolidation is to have control, which is generally presumed to exist when the Parent owns, directly or indirectly through subsidiaries more than half of the voting power of the entity. Joint ventures can be consolidated proportionally. The standard also requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

Under IAS 31, joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions regarding the activities require unanimous consent of the members of the joint venture. Joint ventures are either carried at the equity method or proportionate consolidated.

Under IFRS, specific guidance is provided with respect to the consolidation of SPEs. A SPE may be created to accomplish a narrow and well defined objective. Such a special purpose entity may take the form of a corporation, trust, partnership or unincorporated entity and are often created with legal arrangements that impose strict and sometimes permanent limits on the decision making powers of their governing board, trustee or management.

The sponsor frequently transfers assets to the SPE, obtains rights to use assets held by the SPE or performs services for the SPE, while other parties may provide funding. An entity that engages in transactions with the SPE (frequently creator or sponsor) may in substance control the SPE.

SPEs shall be consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.

Business Combinations, Purchase Accounting and Goodwill

Under Brazilian GAAP, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is calculated as the difference between the cost of acquisition and the net book value. Goodwill is subsequently amortized to income over a period not to exceed 10 years. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses.

Under IFRS 3 (Revised), Business Combinations requires, among other things, that all business combinations, except those involving entities under common control be accounted for by a single method — the purchase method.

Under IFRS 3 (Revised), the acquiring company records identifiable assets and liabilities acquired at their fair values. The shares issued in exchange for shares of other companies are accounted for at fair value based on the market price. . All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

Under IFRS 3, the amount of goodwill will be evaluated for impairment annually, and in the case of impairment its recorded value will be adjusted accordingly. If assets other than cash are distributed as part of the purchase price, such assets should be valued at fair value.

Under IFRS 3 (Revised) negative goodwill will be recognized as a gain in the statement of operations. Finite lived intangible assets are generally amortized on a straight line basis over the estimated period benefited. The client deposit and relationship portfolios intangible asset is recorded and amortized over a period in which the asset is expected to contribute directly or indirectly to the future cash flows.

Transfer of Financial Assets

No specific pronouncement addresses the accounting for transfers of financial assets under Brazilian GAAP, except for when such a transfer involves a special purpose entity that is in substance controlled by the entity, using a similar approach as prescribed in the SIC-12 (IFRS).

Under IFRS, financial assets can be derecognized in full or partially but only when the necessary conditions are met. Derecognition conditions depend on the following factors:

- the rights to the asset's cash flows and substantially all risks and rewards of ownership are transferred;
- an obligation to transfer the asset's cash flows is assumed;
- substantially all risks and rewards are transferred and the following conditions are met:
    - no obligation to pay cash flows unless equivalent cash flows from the transferred asset collected;
    - the obligation to pass through cash flows; and
    - obligation to remit any cash flows without material delay; or
- substantially all the risks and rewards are neither transferred nor retained but control of the asset is transferred.

Accounting for Guarantees by a Guarantor

Under Brazilian GAAP, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognized in income over the period of the guarantee. When the guaranteed party has not honored its commitments and the guarantor should assume a liability, a credit is recognized against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under IFRS, certain financial guarantees may be accounted for as insurance contracts if certain conditions are met. Otherwise, the guidance in IAS 39 applies: (i) record guarantee contracts at fair value upon initial recognition and (ii) subsequent measurement of the higher of the amount of expenditure needed to settle the obligation (measured under IAS 37) and the amount initially recognized less cumulative amortization, when appropriate, under IAS 18.

Marketable Securities

Under Brazilian GAAP, marketable securities are classified based on the investment strategy of the financial institution as either trading securities, available for sale or held to maturity and defines the recognition of the fair market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of changes in fair market value for trading securities is in income, while for available for sale securities is directly in shareholders' equity. The rules to account for securities are stated more generally and are less comprehensive than the standards to account for securities under IFRS.

Under IFRS, financial assets including debt and equity securities can be categorized and accounted for as follows:

(i) financial assets at fair value through profit or loss including both financial assets held for trading and any financial assets designated within this category at their inception;

(ii) held to maturity investments held with a positive intent and ability to be held to maturity and are recorded at amortized cost. Equity securities cannot be classified as held to maturity investments;

(iii) loans and receivables that correspond to financial assets with fixed or determinable payments not quoted in an active market and are measured at amortized costs; and

(iv) available for sale financial assets including debt and equity securities designated as available for sale, except those equity securities classified as held for trading and those not covered in the above

categories which are measured at fair value. Changes in fair value are recognized in equity and recognized in the statement of income when realized.

Comprehensive Income

Accounting Practices Adopted in Brazil do not have the concept of comprehensive income. Also, as under Brazilian GAAP, statutory reserves are required to appropriate 5% of the annual local currency earnings, after absorbing accumulated losses, to a legal reserve, which is restricted as to distribution. The reserve may be used to increase capital or absorb losses, but may not be distributed as dividends. Any income remaining after the distribution of dividends on the statutory records and appropriations to statutory reserves is transferred to the reserve for future investments. Such reserve may be distributed in the form of dividends upon approval of the shareholders. There are no similar provisions for IFRS.

Under IFRS, a statement of recognized income and expenses can be presented including net income as well as other items of income and expense recognized directly in equity such as: (i) fair value gains (losses) on lands and buildings, intangible assets, available for sale investments and certain financial instruments, (ii) foreign exchange translation differences, (iii) the cumulative effect of a change in accounting policy, (iv) change in fair value on certain financial instruments if designated as cash flow hedges, and (v) actuarial gains and losses on defined benefit plans recognized directly in equity.

Financial Derivative Instruments

Under Brazilian GAAP, for periods from June 30, 2002, the accounting principles prescribed by the Brazilian Corporate Law specifically applicable to accounting and reporting for marketable and equity securities and derivative financial instruments have been amended for all financial institutions. According to them, derivative financial instruments are classified based on management's intention to use them for hedging or non hedging purposes.

Transactions involving derivative financial instruments to meet customer needs or for own purposes that did not meet hedging accounting criteria established by the Central Bank and primary derivatives used to manage the overall exposures are accounted for at fair value with unrealized gains and losses recognized currently in earnings.

Derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

- Fair value hedge. The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognized currently in earnings; and

- Cash flow hedge. The effective hedge portion of the derivatives is accounted for at fair value and unrealized gains and losses recorded as a separate component of shareholders' equity, net of applicable taxes. The non effective hedge portion is recognized currently in earnings.

IAS 39 "Financial Instruments: Recognition and Measurement" requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income.

Certain robust conditions including specified documentation requirements must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either: (i) offset against the change in fair value of the hedged asset, liability or firm commitment through income; or (ii) held in equity until the hedged item is recognized in income. The ineffective portion of a hedge's change in fair value is immediately recognized in income.

Revaluation of Property, Plant and Equipment

Revaluations may be recorded under Brazilian GAAP providing certain formalities are complied with. The revaluation increment, normally net of deferred tax effects, is credited to a reserve account in shareholders' equity. As from July 1, 1995 companies may opt to carry property, plant and equipment at cost, monetarily

adjusted up to December 31, 1995, or at appraised values, in which case the revaluations must be performed at least every four years and should not result in an amount higher than the value expected to be recovered through future operations. Deferred taxes must be recognized, on revaluation increments as from July 1, 1995. Amortization of the asset revaluation increments are charged to income and an offsetting portion is relieved from the revaluation reserve in shareholders' equity and transferred to retained earnings as the related assets are depreciated or upon disposal.

Under IFRS, companies may use either the historical cost or carry their property, plant and equipment ("PP&E") at revalued amounts (based on fair value) as the accounting basis. When the revaluation model is selected, revaluations should be made with sufficient regularity. If an item of PP&E is revalued, the entire class of PP&E to which the asset belongs is required to be revalued. All revalued assets, including land, are subject, at the effective income tax rate from the sale of the asset, to deferred income tax. Gains and losses from the sale or disposal of assets are recorded as operating expenses.

Prior Period Adjustment—Correction of Errors

Under Brazilian GAAP, prior period adjustments encompass corrections of errors in previously issued financial statements and the effects of changes in accounting principles. The accounting guidelines from the Central Bank do not require restatement of previous financial statements to provide consistency in reporting.

Under IFRS, IAS 8 requires the correction of material errors from prior periods retrospectively in the first set of financial statements authorized for issue after their discovery. This correction must consist of a restatement of the comparative amounts for the prior period(s) in which the error occurred, or, if the error occurred before the earliest prior period presented, a restatement of the opening balances of assets, liabilities and equity for the earliest prior period presented.

Loan Accounting and Disclosure

Under Brazilian GAAP, loans are generally carried at cost. Up to March 31, 2000 when changes were introduced by the Central Bank, loans were classified as overdue or doubtful based on the extent to which they were secured and the length of time for which payments were in arrears. Specific minimum allowances were required based on whether they were unsecured or not and the time overdue. As from March 31, 2000, loans should be categorized in 9 categories and the minimum allowance is determined by applying specific percentages to the loans in each category.

Loans are classified in accordance with management's judgment of the risk level, taking into account the economic situation, past experience and specific risks in relation to the transactions, the debtors and the guarantors, complying with the parameters established by CMN Resolution No. 2,682 of December 21, 1999, as amended, which requires periodic analysis of the portfolio and its classification, by risk level, in 9 categories between AA (minimum risk) and H (maximum risk — loss). The minimum allowance is determined by applying specific percentages to the loans in each category.

Income from credit operations overdue for more than 60 days, independently of their risk level, is only recognized as revenue when effectively received. Operations classified as level H remain in such classification for six months, after which time the loan is charged against the existing allowance and remain controlled in memorandum accounts for five years, no longer appearing in the balance sheet.

At a minimum, renegotiated loans are maintained at the same level at which they were classified prior to renegotiation. Renegotiated credit operations, which had already been charged against the allowance for loan losses and were in memorandum accounts, are classified as level H and any eventual gains resulting from the renegotiation of loans previously charged off are recognized as revenue on a cash basis.

Under IFRS, according to IAS 39 "Financial Instruments: Recognition and Measurement," loans and receivables are defined as financial assets with fixed or determinable payments not quoted in an active market. Loans and receivables are measured at amortized cost.

If there is objective evidence that an impairment loss on loans and receivables investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

Income Taxes

Under Brazilian GAAP, the methods adopted for the recording of income taxes are similar to IFRS but their practical application may lead to different results in certain circumstances. The recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgment. In general, tax credits are recognized when there is evidence of future realization in a continuous operation, potential effects of Provisional Measures enacted by the Brazilian Government are evaluated and the effects of increases in enacted tax rates on deferred taxes may not be integrally recognized if the related legislation is being questioned. On December 30, 2002, the Central Bank issued Circular No. 3,171, as amended, which revoked Circular No. 2,746, that: (i) requires specific supporting analysis to recognize deferred tax assets; (ii) requires as a condition to recognize deferred tax assets a history of profitability presenting taxable income in three out of five fiscal years (including the year being reported); and (iii) prohibits recognition of deferred tax assets if it is expected that they will be realized in more than 5 years as from the reporting date. On March 31, 2006, Resolution No. 3,355 changed the period from 5 to 10 years for the realization of such tax credit.

Under IFRS, the liability method is used to calculate the income tax provision, as specified in IAS 12, "Income Taxes." Under the liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted or substantially enacted tax rate of income taxes. Net operating loss carry forwards arising from tax losses are recognized as assets. The deferred tax asset shall be recognized to the extent that it is probable that future taxable profit will realize such deferred tax asset.

Treasury Stocks

Under Brazilian GAAP, the acquisition of treasury stock is accounted for by reducing capital by its nominal amount and both the excess or the shortfall compared to par is taken against reserves.

Under IFRS, when an entity's own shares are repurchased, the shares are shown as a deduction from shareholders' equity. Any profit or loss on the subsequent sale of the shares is shown as a change in equity.

Earnings Per Share

Under Brazilian GAAP, disclosure of earnings per share is computed based on the number of shares outstanding at the end of the year.

Under IFRS, in accordance with IAS 33 "Earnings per Share (EPS)," the presentation of earnings per share must be disclosed on the face of the income statement of enterprises with publicly traded ordinary shares (as defined) or potential ordinary shares (as defined), or those in the process of issuing such instruments. The EPS data given is basic EPS and diluted EPS for each class of ordinary share. EPS based on alternative measures of earnings also may be given if required. Computations of basic and diluted earnings per share data should be based on the weighted average number of common shares outstanding during the period and all potentially dilutive common shares outstanding during each period presented, respectively.

Dividends and Interest Attributable to Shareholders' Equity

Subject to certain limitations, Brazilian GAAP permits companies to distribute or capitalize an amount of interest on shareholders' equity based on the TJLP. Such amounts are deductible for tax purposes and are presented as a direct reduction of shareholders' equity. By the end of the year, management is required to propose payment of dividends in those years which realize a profit, unless such profit has been absorbed by any accumulated losses. The entire proposed amount is accounted for as a liability at the balance sheet date.

Under IFRS, both the minimum dividends required by law and/or included in the entity's by-laws meet the definition of present obligation and, therefore, should be accounted for at the end of the year.

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Unaudited Consolidated Financial Statements as of and for the Nine-Month Periods Ended September 30, 2011 and 2010

Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2010 and 2009

Audited Consolidated Financial Statements as of and for the Years Ended December 31, 2009 and 2008

Interim Financial Statements

Banco do Estado do Rio Grande do Sul S.A.

Nine-month period ended September 30, 2011
with Independent Auditor's Report on Interim Information Review

(A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Information, prepared in accordance with accounting practices adopted in Brazil)

Interim information review report

To the
Shareholders, Board of Directors and Officers
Banco do Estado do Rio Grande do Sul S.A.
Porto Alegre - RS

Introduction

We have reviewed the individual and consolidated balance sheet of Banco do Estado do Rio Grande do Sul S.A. ("Bank") as of September 30, 2011 and the related statements of income, of changes in shareholders' equity and of cash flows for the nine-month period then ended, including notes thereto.
Management is responsible for the preparation and fair presentation of this interim financial in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank. Our responsibility is to express a conclusion on this interim information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review. A review of interim information consists of inquiries, mainly of the officials in charge of financial and accounting areas, and of the application of analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim information does not present fairly, in all material respects, the Bank's financial position at September 30, 2011, the performance of its operations and cash flows for the nine-month period then ended, in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank.

Other interim information

Statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2011, the presentation of which in the interim financial information is required in accordance with the regulations issued by Brazilian Exchange Commission (CVM) and deemed to be supplementary information for the purposes of the Brazilian Central Bank and the National Monetary Council, which do not require the presentation of the SVA. These statements were submitted to the same review procedures described above and, based on our review, we are not aware of any fact which makes us believe that they were not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information taken as a whole.

Review of prior period amounts

The individual and consolidated interim accounting information for the nine-month period ended September 30, 2010, presented for comparison purposes, was previously reviewed by other independent auditors who issued their report dated November 03, 2010 with no modification.

Porto Alegre (RS), November 1, 2011.

ERNST & YOUNG TERCO
Auditores Independentes S/S
CRC 2SP-015.199/O-6/F-RS

Fernando Radaich de Medeiros
Accountant CRC 1SP-217.532/O-6 S-RS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Management and Shareholders of
Banco do Estado do Rio Grande do Sul S.A.
Porto Alegre, RS

1. We have performed a limited review of the accompanying individual (Bank) and consolidated balance sheets of Banco do Estado do Rio Grande do Sul S.A. ("Bank") as of September 30, 2010 and the related statement of income, changes in shareholders' equity (Bank) cash flows and value added for the nine-month period 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) and consisted principally of: (a) inquiries of and discussions with certain officials of the Bank who have responsibility for accounting, financial and operating matters about the criteria adopted in the preparation of the financial statements referred to in paragraph 1 above; and (b) applying analytical procedures to financial data. Since this review did not constitute an audit in accordance with Brazilian auditing standards, we do not express an opinion on the interim financial statements mentioned in paragraph 1.

3. Based on our limited review, we are not aware of any material modifications that should be made to the financial statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices applicable to the institutions authorized to operate by the Central Bank of Brazil.

Porto Alegre, November 3, 2010

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Fernando Carrasco
Engagement Partner

Banco do Estado do Rio Grande do Sul S.A. and subsidiaries

Balance Sheet as of September 30, 2011 and 2010
(In thousands of Reais)

	Banrisul		Banrisul Consolidated	
Assets	**2011**	**2010**	**2011**	**2010**
CURRENT	**19.328.346**	**17.900.459**	**19.412.830**	**17.979.713**
CASH	481.051	396.334	481.087	396.370
INTERBANK INVESTMENTS (Note 04)	3.037.770	3.804.581	3.056.998	3.822.569
Money Market Investments	2.920.180	3.681.978	2.939.408	3.699.966
Interbank Deposits	117.590	122.603	117.590	122.603
SECURITIES AND DERIVATIVES (Note 05)	3.315.445	3.463.850	3.325.966	3.467.794
Own Portfolio	2.412.813	1.341.690	2.423.328	1.345.629
Linked to Repurchase Commitments	902.632	2.099.078	902.632	2.099.078
Derivatives	-	23.082	-	23.082
Privatization Certificates	-	-	6	5
INTERBANK ACCOUNTS	2.767.257	2.114.289	2.767.257	2.114.289
Payments and Receipts Pending Settlement	208.259	207.024	208.259	207.024
Restricted Deposits (Note 06)				
Central Bank of Brazil	2.524.256	1.881.085	2.524.256	1.881.085
Agreements	3.304	-	3.304	-
Correspondents	31.438	26.180	31.438	26.180
INTERBRANCH ACCOUNTS	56.247	50.429	56.247	50.429
Third-party Funds in transit	5.616	1.900	5.616	1.900
Internal Transfers of Funds	50.631	48.529	50.631	48.529
LENDING OPERATIONS (Notes 07)	8.512.485	6.967.177	8.512.485	6.967.177
Lending Operations				
Public Sector	28.042	41.252	28.042	41.252
Private Sector	8.939.667	7.345.034	8.939.667	7.345.034
Allowance for Loan Losses	(455.224)	(419.109)	(455.224)	(419.109)
LEASE OPERATIONS (Note 07)	37.256	37.018	37.256	37.018
Lease Receivables				
Public Sector	856	708	856	708
Private Sector	38.850	38.770	38.850	38.770
Allowance for Doubtful Lease Receivables	(2.450)	(2.460)	(2.450)	(2.460)
OTHER RECEIVABLES (Note 08)	1.095.546	1.049.599	1.149.970	1.106.648
Foreign Exchange Portfolio	572.400	436.752	572.400	436.752
Income Receivable	40.140	33.232	37.643	32.233
Trading Accounts	-	-	3.474	3.440
Specific Credits	-	-	22	16
Other	499.938	592.072	555.235	647.167
Allowance for Losses on Other Receivables	(16.932)	(12.457)	(18.804)	(12.960)
OTHER ASSETS	25.289	17.182	25.564	17.419
Temporary Investments	-	232	-	232
Other Assets	2.041	1.801	2.181	1.943
Prepaid Expenses	23.248	15.149	23.383	15.244

Banco do Estado do Rio Grande do Sul S.A. and subsidiaries

Balance Sheet as of September 30, 2011 and 2010 (continued)

(In thousands of Reais)

	Banrisul		Banrisul Consolidated	
Assets	**2011**	**2010**	**2011**	**2010**
	-			
LONG-TERM ASSETS	**16.821.570**	**13.978.819**	**16.843.227**	**13.992.928**
SECURITIES AND DERIVATIVES (Note 05)	5.816.778	5.006.651	5.822.246	5.009.598
Own Portfolio	4.304.004	3.970.901	4.304.004	3.970.901
Linked to Repurchase Commitments	799.871	251.544	799.871	251.544
Derivatives	-	136.558	-	136.558
Linked to Central Bank of Brazil	645.126	578.581	645.126	578.581
Linked to Guarantees	67.777	69.067	73.245	72.014
INTERBANK ACCOUNTS	645.742	485.813	645.742	485.813
Restricted Deposits (Note 06)				
National Housing System	645.742	485.813	645.742	485.813
LENDING OPERATIONS (Notes 07)	9.311.869	7.632.863	9.311.869	7.632.863
Lending Operations			-	-
Public Sector	90.808	85.593	90.808	85.593
Private Sector	9.999.643	8.211.831	9.999.643	8.211.831
Allowance for Loan Losses	(778.582)	(664.561)	(778.582)	(664.561)
LEASE OPERATIONS (Note 07)	37.721	38.633	37.721	38.633
Lease Receivables				
Public Sector	2.277	2.229	2.277	2.229
Private Sector	41.599	41.478	41.599	41.478
Allowance for Doubtful Lease Receivables	(6.155)	(5.074)	(6.155)	(5.074)
OTHER RECEIVABLES (Note 08)	998.773	805.750	1.014.962	816.912
Foreing Exchange Portfolio	27.156	22.764	27.156	22.764
Other	1.019.260	872.059	1.035.449	883.221
Allowance for Losses on Other Receivables	(47.643)	(89.073)	(47.643)	(89.073)
OTHER ASSETS	10.687	9.109	10.687	9.109
Other Assets	22.909	20.142	22.909	20.142
Allowance for Valuation	(12.738)	(11.936)	(12.738)	(11.936)
Prepaid Expenses	516	903	516	903
PERMANENT ASSETS	**638.518**	**668.640**	**298.044**	**366.707**
INVESTMENTS	355.959	317.944	7.660	7.759
Investments in Domestic Subsidiaries (Note 02 (c))	349.153	311.039	-	-
Other Investments	11.599	11.888	12.926	13.214
Allowance for Losses	(4.793)	(4.983)	(5.266)	(5.455)
PROPERTY AND EQUIPMENT IN USE (Note 09 (a))	156.305	164.138	163.170	171.349
Real Estate	120.325	121.068	130.586	131.330
Other	490.801	461.271	496.307	466.507
Accumulated Depreciation	(454.821)	(418.201)	(463.723)	(426.488)
INTANGIBLE (Note 09 (b))	126.254	186.558	127.214	187.599
Intangible Assets	368.501	360.663	370.384	361.704
Accumulated Amortization	(242.247)	(174.105)	(243.170)	(174.105)
TOTAL ASSETS	**36.788.434**	**32.547.918**	**36.554.101**	**32.339.348**

The accompanying notes are an integral part of these financial statements.

Banco do Estado do Rio Grande do Sul S.A. and subsidiaries

Balance Sheet as of September 30, 2011 and 2010
(In thousands of Reais)

	Banrisul		Banrisul Consolidated	
Liabilities and Shareholders' Equity	**2011**	**2010**	**2011**	**2010**
CURRENT	**24.083.994**	**24.053.677**	**23.847.574**	**23.939.721**
DEPOSITS (Note 10)	14.277.663	14.735.857	14.011.030	14.603.711
Demand Deposits	2.558.461	2.114.254	2.555.954	2.108.912
Saving Deposits	5.072.399	6.295.708	5.072.399	6.295.708
Interbank Deposits	11.516	14.652	11.516	14.652
Time Deposits	6.634.396	6.309.382	6.370.270	6.182.578
Other Deposits	891	1.861	891	1.861
MONEY MARKET FUNDING (Note 10)	1.702.516	2.350.621	1.634.047	2.285.898
Own Portfolio	1.702.516	2.350.621	1.634.047	2.285.898
INTERBANK ACCOUNTS	295.036	264.506	295.036	264.506
Receipt and Payment Pending Settlement	294.304	264.107	294.304	264.107
Correspondents	732	399	732	399
INTERBRANCH ACCOUNT	242.608	210.541	242.608	210.541
Third-party Funds in Transit	242.189	210.074	242.189	210.074
Internal Transfers of Funds	419	467	419	467
BORROWINGS (Note 11)	830.388	572.272	830.388	572.272
Foreign Borrowings	830.388	572.272	830.388	572.272
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (Note 12)	302.631	281.944	302.631	281.944
National Treasury	77.980	58.510	77.980	58.510
National Economic and Social Development Bank (BNDES)	103.220	116.793	103.220	116.793
Federal Savings and Loan Bank (CEF)	9.342	4.951	9.342	4.951
National Equipment Financing Authority (FINAME)	112.089	101.690	112.089	101.690
FOREING ONLENDINGS (Note 12)	1.684	42.222	1.684	42.222
Foreign Onlendings	1.684	42.222	1.684	42.222
DERIVATIVES (Note 05 (d))	-	19.985	-	19.985
Derivatives	-	19.985	-	19.985
OTHER PAYABLES (Note 13)	6.431.468	5.575.729	6.530.150	5.658.642
Collected Taxes and Other	133.366	111.978	133.366	111.978
Foreign Exchanges Portfolio	36.149	42.468	36.149	42.468
Social and Statutory	100.804	54.347	100.863	55.655
Tax and Social Security	432.804	311.799	452.164	324.851
Trading Account and Intermediation	-	-	3.163	3.089
Financial and Development Funds	5.011.739	4.395.584	5.011.739	4.395.584
Other	716.606	659.553	792.706	725.017

The accompanying notes are an integral part of these financial statements.

Banco do Estado do Rio Grande do Sul S.A. and subsidiaries

Balance Sheet as of September 30, 2011 and 2010
(In thousands of Reais) (continued)

Liabilities and Shareholders' Equity	2011	2010	2011	2010
LONG-TERM LIABILITIES	**8.406.295**	**4.747.857**	**8.406.800**	**4.651.484**
DEPOSITS (Note 10)	6.899.086	3.447.243	6.899.086	3.350.387
Time Deposits	6.899.086	3.447.243	6.899.086	3.350.387
BORROWINGS	11.505	-	11.505	-
Foreign Borrowings (Note 11)	11.505	-	11.505	-
INTERBANK ACCOUNTS	3.976	3.223	3.976	3.223
Interbank Onlendings	3.976	3.223	3.976	3.223
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (Note 12)	832.862	709.678	832.862	709.678
National Treasury	9.094	10.807	9.094	10.807
National Economic and Social Development Bank (BNDES)	518.797	470.739	518.797	470.739
Federal Savings and Loan Bank (CEF)	43.674	32.833	43.674	32.833
National Equipment Financing Authority (FINAME)	261.297	195.299	261.297	195.299
FOREING ONLENDINGS (Note 12)	32.042	2.540	32.042	2.540
Foreign Onlendings	32.042	2.540	32.042	2.540
DERIVATIVES (Note 5 (d))	-	36.520	-	36.520
Derivatives	-	36.520	-	36.520
OTHER PAYABLES (Note 13)	626.824	548.653	627.329	549.136
Tax and Social Security	408.686	388.981	408.686	388.981
Other	218.138	159.672	218.643	160.155
MINORITY INTEREST	**-**	**-**	**1.582**	**1.759**
SHAREHOLDERS' EQUITY (Note 20)	**4.298.145**	**3.746.384**	**4.298.145**	**3.746.384**
Capital	3.200.000	2.900.000	3.200.000	2.900.000
Capital Reserves	4.512	4.511	4.512	4.511
Profit Reserves	920.802	691.914	920.802	691.914
Assets valuation adjustment (Note 05 (b))	(8.055)	(4.870)	(8.055)	(4.870)
Accrued Profits	180.886	154.829	180.886	154.829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**36.788.434**	**32.547.918**	**36.554.101**	**32.339.348**

The accompanying notes are an integral part of these financial statements.

Banco do Estado do Rio Grande do Sul S.A. and subsidiaries

Statement of income as of September 30, 2011 and 2010
(In thousands of Reais)

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
INCOME FROM FINANCIAL OPERATIONS	**4.392.626**	**3.524.970**	**4.405.258**	**3.531.439**
Loan Operations	3.157.797	2.540.312	3.157.797	2.540.312
Lease Operations	11.660	11.290	11.660	11.290
Securities	917.829	786.407	930.461	792.876
Derivatives	-	-	-	-
Foreign Exchange	123.743	46.718	123.743	46.718
Compulsory Investments	181.597	140.243	181.597	140.243
EXPENSES OF FINANCIAL OPERATIONS	**2.424.136**	**1.807.681**	**2.408.038**	**1.795.226**
Funding Operations	1.348.577	1.034.024	1.332.210	1.021.405
Borrowings, Assignments and Onlendings	611.993	380.966	611.993	380.966
Derivatives	0	1095	0	1116
Allowance for Loan Losses (Note 07 (d))	463.566	391.596	463.835	391.739
GROSS INCOME FROM FINANCIAL OPERATIONS	**1.968.490**	**1.717.289**	**1.997.220**	**1.736.213**
OTHER OPERATING INCOME (EXPENSES)	**(938.685)**	**(943.710)**	**(950.385)**	**(950.209)**
Income from Services Rendered (Note 15)	80.895	74.554	107.008	111.505
Bank Fees Income (Note 16)	395.152	356.682	410.362	356.674
Equity in Subsidiaries (Note 02 (c))	29.136	21.774	-	-
Personnel Expenses	(794.802)	(682.229)	(798.522)	(687.531)
Other Administratives Expenses (Note 17)	(523.766)	(569.814)	(533.928)	(577.884)
Tax Expenses	(165.313)	(145.177)	(171.259)	(150.324)
Other Operating Income (Note 18)	200.187	129.841	199.810	127.774
Other Operating Expenses (Note 19)	(160.174)	(129.341)	(163.856)	(130.423)
OPERATING INCOME	**1.029.805**	**773.579**	**1.046.835**	**786.004**
INCOME BEFORE TAXES ON INCOME AND EMPLOYEE PROFIT SHARING	**1.029.805**	**773.579**	**1.046.835**	**786.004**
INCOME TAX AND SOCIAL CONTRIBUTION (Note 22a)	**(311.555)**	**(228.695)**	**(328.478)**	**(240.994)**
EMPLOYEE PROFIT SHARING	**(40.569)**	**(33.500)**	**(40.569)**	**(33.500)**
MINORITY INTEREST	**-**	**-**	**(107)**	**(126)**
NET INCOME	**677.681**	**511.384**	**677.681**	**511.384**
Number of Outstanding Shares (Thousands)	408.974	408.974	-	-
Earning per Thousand Shares (R$)	1.657,03	408.974,48	-	-

The accompanying notes are an integral part of these financial statements.

Banco do Estado do Rio Grande do Sul S.A.

Statement of Changes in Shareholders' Equity in September 30, 2011 and 2010
(In thousands of Reais)

		Capital Reserves		Profit Reserves					
	Capital Stock	Adjustment of Memberships Certificates in Subsidiary	Investments Grants	Legal	Statutory	For Expansion	Assets Valuation Adjustment	Retained Earnings	Total
Balance as of January 01, 2010	**2.600.000**	**1.660**	**4.511**	**155.369**	**425.031**	**227.738**	**(5.847)**	**-**	**3.408.462**
Capital Increase (Note 20 (a))	300.000	-	-	-	(72.262)	(227.738)	-	-	-
Adjustment of Memberships Certificates in Subsidiary	-	(1.660)	-	-	-	-	-	-	(1.660)
Assets valuation adjustment (Note 05 (b))	-	-	-	-	-	-	977		977
Net Income	-	-	-	-	-	-	-	511.384	511.384
Allocation of Net Income (Note 20 (b))	-	-	-	-	-	-	-	-	-
Recognition of Reserves	-	-	-	15.250	76.250	92.276	-	(183.776)	-
Interest on Capital	-	-	-	-	-	-	-	(152.620)	(152.620)
Dividends Accrued	-	-	-	-	-	-	-	(20.159)	(20.159)
Balance as of September 30, 2010	**2.900.000**	**-**	**4.511**	**170.619**	**429.019**	**92.276**	**(4.870)**	**154.829**	**3.746.384**
Balance as of January 01, 2011	**2.900.000**	**-**	**4.511**	**192.431**	**538.080**	**225.666**	**(5.449)**	**-**	**3.855.239**
Capital Increase (Note 20 (a))	300.000	0	-	-	(74.334)	(225.666)	-	-	-
Adjustment of Memberships Certificates in Subsidiary	-	1	-	-	-	-	-	-	1
Assets valuation adjustment (Note 05 (b))	-	-	-	-	-	-	(2.606)	-	(2.606)
Net Income	-	-	-	-	-	-	-	677.681	677.681
Allocation of Net Income (Note 20 (b))	-	-	-	-	-	-	-	-	-
Recognition of Reserves	-	-	-	21.925	109.624	133.076	-	(264.625)	-
Interest on Capital	-	-	-	-	-	-	-	(172.574)	(172.574)
Dividends Accrued	-	-	-	-	-	-	-	(59.596)	(59.596)
Balance as of September 30, 2011	**3.200.000**	**1**	**4.511**	**214.356**	**573.370**	**133.076**	**(8.055)**	**180.886**	**4.298.145**

The accompanying notes are an integral part of these financial statements.

Banco do Estado do Rio Grande do Sul S.A. and subsidiaries

Statement of Cash Flows as of September 30, 2011 and 2010
(In thousands of Reais)

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Adjusted Net Income	**1.242.135**	**1.014.175**	**1.268.761**	**1.038.350**
Net Income	677.681	511.384	677.681	511.384
Adjustments to Net Income:				
Depreciation and Amortization	82.970	81.031	83.408	81.572
Equity in Subsidiaries	(29.136)	(21.774)	-	-
Dividends Received Fron Subsidiaires	5.597	-	-	-
Provision for Loan Losses	463.566	391.596	463.835	391.739
Reserve for Securitization Losses	(1.323)	(3.167)	(1.323)	(3.167)
Reserve for Contingencies	93.952	79.595	96.812	80.935
Deferred Income Tax and Social Contribution	(51.172)	(24.490)	(51.652)	(24.113)
Changes in Assets and Liabilities	**(273.851)**	**(2.310.119)**	**(299.447)**	**(2.330.544)**
Valuation adjustment to Equity	(2.606)	977	(2.606)	977
(Increase) Decrease in Interbank Deposits	(12.389)	12.119	(12.389)	12.119
(Increase) Decrease in Securities	(621.793)	(1.060.575)	(622.466)	(1.060.450)
(Increase) Decrease in Derivatives	-	1.112	-	1.112
(Increase) Decrease in Interbank and Interbranch Accounts	56.118	(479.385)	56.118	(479.385)
(Increase) Decrease in Lending Operations	(2.790.253)	(3.110.311)	(2.790.253)	(3.110.311)
(Increase) Decrease in Lease Operations	(2.951)	12.167	(2.951)	12.167
(Increase) Decrease in Other Receivables	(365.885)	(211.477)	(375.806)	(221.451)
(Increase) Decrease in Other Assets	(6.407)	19.329	(6.379)	19.329
Increase (Decrease) in Deposits	1.886.968	1.624.681	1.857.111	1.584.353
Increase (Decrease) in Money Market Funding	322.470	280.728	322.887	279.401
Increase (Decrease) in Borrowing	381.144	130.199	381.144	130.199
Increase (Decrease) in Other Liabilities	881.733	470.317	896.143	501.396
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**968.284**	**(1.295.944)**	**969.314**	**(1.292.194)**
CASH FLOW FROM INVESTMENT ACTIVITIES				
Restatement of Assets in Subsidiaries	1	-	1	-
Disposal of Investiments	1	52	-	-
Disposal of Property and Equipment in Use	124	109	124	109
Acquisition of Investiments	(80)	(16)	-	(1.660)
Acquisition of Property and Equipment in Use	(26.314)	(26.042)	(26.442)	(29.391)
Acquisition of Intangible Assets	(7.280)	(60.340)	(7.280)	(61.052)
NET CASH USED IN INVESTMENT ACTIVITIES	**(33.548)**	**(86.237)**	**(33.597)**	**(91.994)**
CASH FLOW FROM FINANCING ACTIVITIES				
Interest on Capital Paid	(172.574)	(152.620)	(172.574)	(152.620)
Change in Minority Interest	-	-	(97)	104
NET CASH USED IN FINANCING ACTIVITIES	**(172.574)**	**(152.620)**	**(172.671)**	**(152.516)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**762.162**	**(1.534.801)**	**763.046**	**(1.536.704)**
Cash and Cash Equivalents	403.281	411.158	403.321	411.220
Interbank Investments (Note 03(n))	2.235.788	5.222.087	2.254.128	5.241.952
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	2.639.069	5.633.245	2.657.449	5.653.172
Cash	481.051	396.334	481.087	396.370
Interbank Investments (Note 03(n))	2.920.180	3.702.110	2.939.408	3.720.098
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3.401.231**	**4.098.444**	**3.420.495**	**4.116.468**

The accompanying notes are an integral part of these financial statements.

Banco do Estado do Rio Grande do Sul S.A. and subsidiaries

Statement of Added Value as of September 30, 2011 and 2010
(In thousands of Reais)

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
INCOME	**4.612.419**	**3.696.039**	**4.663.522**	**3.737.224**
Financial Income	4.392.635	3.526.558	4.407.049	3.533.010
Services Rendered and Bank Fees Income	476.047	431.236	517.370	468.179
Allowance for loan losses	(463.566)	(391.596)	(463.835)	(391.739)
Other	207.303	129.841	202.938	127.774
FINANCIAL INTERMEDIATION EXPENSES (b)	**1.960.570**	**1.417.650**	**1.944.203**	**1.405.031**
INPUTS ACQUIRED FROM THIRD PARTIES (c)	**568.318**	**581.022**	**580.423**	**590.821**
Materials, Energy and other	465.302	485.707	473.340	493.478
Third-party Services	103.007	95.292	105.292	97.316
Assets Value Recovery (Loss)	9	23	1.791	27
GROSS ADDED VALUE (d=a-b-c)	**2.083.531**	**1.697.367**	**2.138.896**	**1.741.372**
DEPRECIATION AND AMORTIZATION (e)	**82.970**	**81.031**	**83.408**	**81.572**
NET ADDED VALUE PRODUCED BY THE BANK (f=d-e)	**2.000.561**	**1.616.336**	**2.055.488**	**1.659.800**
ADDED VALUE RECEIVED IN TRANSFER (g)	**29.136**	**21.774**	**-**	**-**
Equity in Subsidiaries	29.136	21.774	-	-
ADDED VALUE FOR DISTRIBUTION (h=f+g)	**2.029.697**	**1.638.110**	**2.055.488**	**1.659.800**
DISTRIBUTION OF ADDED VALUE	**2.029.697**	**1.638.110**	**2.055.488**	**1.659.800**
Personnel	**714.057**	**610.430**	**717.595**	**615.494**
Salary	547.165	468.899	549.796	473.107
Benefits	123.452	105.061	123.975	105.573
FGTS	43.440	36.470	43.824	36.814
Tax Fees and contributions	**598.182**	**479.171**	**621.233**	**496.855**
Federal	570.902	453.963	592.032	469.891
State	384	335	400	341
Municipality	26.896	24.873	28.801	26.623
Third-party capital compensation	**39.777**	**37.125**	**38.872**	**35.941**
Rentals	39.777	37.125	38.872	35.941
Shareholders' equity compensation	**677.681**	**511.384**	**677.788**	**511.510**
Interest on Capital	172.574	152.620	172.574	152.620
Dividends	59.596	20.159	59.596	20.159
Retained Earnings	445.511	338.605	445.511	338.605
Minority interest	-	-	107	126

The accompanying notes are an integral part of these financial statements.

Note 1 - Operations

Banco do Estado do Rio Grande do Sul S.A. (Banrisul) is a multiple-services bank, operating commercial, lending, financing and investment, mortgage loan, development, lease and investment portfolios, including foreign exchange, securities brokerage, and credit card and mutual pooled financing scheme management. Transactions are conducted within the context of a group of financial institutions that operate on an integrated basis in the financial market. Banrisul also operates as an agent for the economic and financial policy of the state of Rio Grande do Sul, in conformity with the state government's plans and programs.

Note 02 - Presentation of the Financial Statements

(a) The individual and consolidated financial statements have been prepared in accordance with Brazilian accounting practices applicable to financial institutions, and with standards and instructions from the Central Bank of Brazil and from the Brazilian Securities and Exchange Commission (CVM), which include accounting practices and estimates concerning the recognition of allowances and determination of the value of the assets that comprise its securities portfolio. Actual results could differ from those estimated.

(b) Banrisul's individual financial statements include operations conducted in Brazil as well as the consolidation of its foreign branches (New York and Grand Cayman). Assets, liabilities, income and expenses reported by foreign branches, before eliminations, are summarized as follows:

	2011	2010
ASSETS		
Lending Operations	**153,772**	**140,884**
Operations in Brazil	86,728	78,086
Other Lending Operations	67,044	62,798
Other Assets	**46,852**	**40,392**
Total Assets	**200,624**	**181,276**
LIABILITIES		
Deposits	**67,776**	**66,760**
Operations in Brazil	29,461	17,136
Other Deposits	38,315	49,624
Other Liabilities	**4,512**	**629**
Shareholders' Equity	**128,336**	**113,887**
Total Liabilities and Shareholders' Equity	**200,624**	**181,276**
Statement of Income		
Financial Intermediation Income	5,228	4,448
Financial Intermediation Expenses	(914)	(1,072)
Other Expenses, Net	(1,551)	(1,562)
Net Income for the period	**2,763**	**1,814**

The effects of the foreign exchange variation on the operations in foreign branches are distributed in the statement of income according to the nature of the corresponding assets and liabilities.

(c) The consolidated financial statements include the accounts of Banrisul, its foreign branches and subsidiaries whose balance of investments, as of September 30, 2011, amounted to R$349,153 (2010 - R$311,039), and generated equity gains in subsidiaries of R$29,136 for the period (2010 - R$21,774), and are presented as follows:

Selected information on investments in subsidiaries for the nine-month period ended September 30, 2011:

	Banrisul Armazéns Gerais S. A.	Banrisul S.A. Corretora de Val.Mobiliários e Câmbio	Banrisul S.A. Administradora de Consórcios	Banrisul Serviços Ltda.	Total
Thousands of Shares					
. Common Shares	696	10,000	89,216	-	-
. Preferred Shares	-	19,608	-	-	-
. Shares	-	-	-	2,780	-
Adjusted Ownership Interest (%)	99.498	98.957	99.683	99.785	-
Capital	24,700	58,000	116,000	77,640	-
Shareholders' Equity	26,176	73,965	140,028	110,568	-
Net Income	1,342	3,289	10,656	14,928	-
Net Amounts Eliminated on Consolidation (Note 25):					
Assets (Liabilities)					
. As of September 30, 2011	(14)	(67,598)	(133,344)	(139,492)	(340,448)
. As of September 30, 2010	147	(63,855)	(127,611)	(107,188)	(298,507)
Income (Expenses)					
. For the nine-month period ended on September 30, 2011	(1,089)	(3,726)	(8,351)	2,205	(10,961)
. For the nine-month period ended on September 30, 2010	(1,087)	(2,546)	(6,542)	494	(9,681)
Book Value of the Investment					
. As of September 30, 2011	26,045	73,193	139,584	110,331	349,153
. As of September 30, 2010	24,636	66,470	128,937	90,996	311,039
Equity in Subsidiaries					
. As of September 30, 2011	1,326	3,285	10,624	13,901	29,136
. As of September 30, 2010	670	6,709	8,464	5,931	21,774

In the preparation of the consolidated financial statements, interests held among consolidated companies were eliminated, as well as intercompany balance sheet and profit and loss accounts. The portions of income for the nine-months ended September 30 and net equity referring to noncontrolling interests are shown separately in the financial statements.

(d) Finance Lease Operations are stated at present value on the Balance Sheet, and related income and expenses, which represent the financial result of said operations, are grouped in Lease Operations in the Statement of Income.

Note 03 - Significant Accounting Practices

(a) Results of operations

Income and expenses are recorded on the accrual basis.

(b) Interbank Investments

These represent funds invested in the interbank market, stated at present value, calculated on "pro rata die" basis, according to the variation of both the agreed index and the interest rate.

(c) Securities and Derivatives

According to Circular no. 3068, issued by the Central Bank of Brazil on November 8, 2001, and supplementary regulation, these are classified and valued in three specific categories, in conformity with the following accounting criteria:

i) **Trading Securities -** these include securities acquired for purposes of being actively and frequently traded, measured at fair value, with related gains or losses recognized in the statement of income.

ii) **Available-for-Sale Securities -** these include securities used as part of the strategy to manage risk of changes in interest rates and may be traded as a result of these changes, changes in payment conditions or other factors. These securities are adjusted to fair value, and income earned is recorded in the statement of income, whereas unrealized gains and losses from changes in fair value are recorded in a separate shareholders' equity caption, net of taxes, where applicable, denominated "Assets Valuation Adjustments" until they are realized through sale.

Gains and losses, when realized, are recorded in the statement of income on the trading date, with an offsetting entry in the specific shareholders' equity account, net of taxes, where applicable.

iii) **Held-to-Maturity Securities -** these include securities for which Management has the intention and financial capacity to hold to maturity. These securities are stated at cost plus income earned on a "pro rata temporis" basis. Financial capacity is determined based on cash flow projections, disregarding the possibility of selling such securities.

Derivatives

Derivatives contracted together with other investment operations are stated at the amounts of the income earned and expenses incurred on the accrual basis, with a contra entry to income (loss).

(d) Loans, Lease Transactions and Other Credit-Like Receivables

All loans and lease transactions are classified based on Management's risk assessment, taking into account the economic scenario, past experience and specific risks related to transactions, debtors and guarantors, pursuant to National Monetary Council (CMN) Resolution no. 2682/99, which requires a periodic analysis of the portfolio and its classification into nine risk levels, from AA to H. A summary of this classification is presented in Note 07.

Loans and lease transactions are recorded at present value, calculated on a daily pro-rata basis, based on the agreed index and interest rate, and are adjusted to the 60th day past-due. Thereafter, revenue is recognized only when the payments are actually received.

The risk of renegotiated asset operations is classified in accordance with the criteria established by National Monetary Council (CMN) Resolution no. 2682/99, i.e. the rating assigned before the renegotiation is maintained. Renegotiated loans previously written-off against the allowance and controlled in memorandum accounts are rated level H. Any gains on renegotiation are recognized as revenue only when actually received.

(e) Other Receivables - Operations with Credit Cards

Unbilled amounts are represented by receivables from cardholders for transactions under Visa and MasterCard. These amounts are accounted for as non credit-like Notes and Receivables. Amounts related to credit cards issued by Banrisul, referring to outstanding revolving balances or those originated from transactions where the payment was converted in more than one installment are classified as loans..

(f) Allowance for loan losses, for doubtful lease receivables and for losses on other receivables

This is recorded in an amount considered sufficient to cover probable losses considering the risk level classification of the customer based on periodic assessment of credit quality, and on the minimum percentages required by the National Monetary Council (CMN) Resolution no. 2682/99 when a default event occurs.

As of September 30, 2011, the total amount related to the allowance for loan losses, allowance for doubtful lease receivables and losses on other receivables, as stated in Note 07, exceeds the minimum amount required if only the rating of transactions based on the number of past due days is considered as set forth by National Monetary Resolution no. 2682/99. This procedure was adopted by Bank's management in addition to those foreseen on Resolution 2.689 as a measure to ensure that, all events for the purpose of setting the allowance for doubtful receivables, were captured by the process established for rating credit operations and customers.

(g) Permanent Assets

Permanent assets are stated at acquisition cost, considering the following aspects:

- Investments in subsidiaries are accounted for under the equity method, based on the financial statements prepared in conformity with the accounting practices adopted by the parent company, i.e. the Brazilian accounting practices applicable to financial institutions. Other investments are stated at cost and adjusted for allowances for permanent losses, when applicable;
- Depreciation of property and equipment in use is calculated under the straight-line method based on the expected economic useful lives of assets considering the minimum rates set annually by the Central Bank of Brazil, and disclosed in Note 09;
- Intangible Assets consist primarily of investments whose benefits will occur in the future. This group of accounts is represented by bank services contracts and software acquisition. Amortization is calculated under the straight line method at the rates stated in Note 09; and
- Annually, Banrisul reviews intangible assets for impairment losses. When identified, losses are charged to income.

(h) Assets and Liabilities in Foreign Currency

The assets and liabilities of foreign branches, as well as other assets and liabilities arising from foreign currency transactions carried out by Banrisul and its subsidiaries were translated at the exchange rate prevailing at the balance sheet date.

(i) Deposits, Money Market Funding, Borrowings and Onlendings and Financial and Development Fund

These are stated at liability amounts plus charges incurred through the balance sheet date, recognized on a pro rata die basis.
As prescribed by Laws No. 12069/04 and No. 12585/06, issued by the Rio Grande do Sul State Government, up to 85% of judicial deposits made by third parties at Banrisul should be, if so requested, made available to the state of Rio Grande do Sul, and the remaining balance is retained at Banrisul for the creation of a fund. The amounts transferred to the Rio Grande do Sul State Government are derecognized from the Bank's balance sheet and controlled in a memorandum account and the retained portion is classified as "Financial and Development Fund", as described in Note 21(a). Expenses related to these items are recorded under "Expenses with Borrowings, Assignments and Onlendings".

(j) Contingent Assets and Liabilities and Tax, Labor and Civil Risks

Contingent assets, contingent liabilities, and legal obligations are recognized, measured and disclosed in accordance with the criteria set forth by Resolution no. 3823/09 and Technical Pronouncement CPC 25, issued by the Brazilian FASB (CPC). They are recorded based on the legal counsel's opinion, using models and criteria which permit obtaining the most reasonable measurement, despite the uncertainty about their period and the final outcome amount. The criteria used according to the nature of the contingency are as follows:

i) **Contingent Assets -** they are not recognized in the financial statements, except when there is evidence of certain realization, and to which no further appeal can be made.

ii) **Contingent Liabilities -** they are recognized in the financial statements when the risk of losing a lawsuit or administrative claim is probable, based on the opinion of management and of legal advisors, with a probable outflow of funds for the settlement of liabilities and when the amounts involved are measurable reliably, as follows:

Reserve for Labor Contingencies - they are recognized upon court notification of judicial discussion involving Banrisul, the risk of loss of which is deemed as probable. Amounts are determined according to disbursement estimates by Management, timely revised based on information received from the legal counsels, adjusted based on the amount of the related escrow deposits, when escrow deposits are required.

Reserve for Civil Risks - they are recognized upon court notices, and monthly adjusted based on the amount of compensation sought, on the evidence presented, and on the legal counsel's evaluation - which considers previous court decisions, factual support, evidence produced in the records and legal decisions that might be rendered for the lawsuit, for the risk of loss on the lawsuit.

Reserve for Tax and Social Security Contingencies - This refers primarily to taxes whose lawfulness or constitutionality is being challenged at administrative or judicial levels and whose likelihood of loss is - or has been in previous phases - deemed as probable, and is recognized at the full amount under dispute. For lawsuits with respective escrow deposits, the liabilities amounts and respective escrow deposits are not updated except when Banrisul is authorized to withdraw the deposits on account of a favorable outcome of the lawsuit.

Contingent liabilities assessed as possible losses are reported in the financial statements; those liabilities that cannot be measured reliably and are assessed as remote losses are neither accrued nor disclosed.

(l) Other Current and Noncurrent Assets and Liabilities

These are stated at realizable or settlement values, including earnings and charges incurred to the balance sheet date, calculated on a daily “pro rata” basis, and, where applicable, the effect of adjustments to bring the asset cost to realizable or fair value. Amounts receivable and payable within twelve months are classified as current assets and liabilities, respectively.

(m) Income and social contribution taxes

Social contribution tax (CSLL) is calculated at a rate of 15% (9% for non financial companies) and corporate income tax (IRPJ) is calculated at 15% (plus a 10% surtax pursuant to legislation) on taxable profit for the period, adjusted for permanent differences. Deferred income and social contribution taxes were calculated based on the rates in force on balance sheet date for the temporary differences and recorded under Other Receivables, with offsetting entry in with the income statement for the period.

(n) Post-Employment Benefits

Banrisul offers its employees “defined benefit” and “variable contribution” plans that have been valued in compliance with specific legislation. As required by Brazilian Accounting Standard Procedures (NPC) 26, issued by the Brazilian Institute of Independent Auditors (Ibracon), and based on an appraisal report issued by an independent actuary, Banrisul reviews the actuarial position of the plan annually, as discussed in Note 23.

(o) Cash and Cash Equivalents

For purposes of the statements of cash flows (as defined in Resolution - CMN 3604/08), cash and cash equivalents correspond to the balances of cash and readily convertible, highly liquid financial investments, or with original maturity not exceeding ninety days.

Note 04 - Interbank Investments

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Money Market Investments	**2,920,180**	**3,681,978**	**2,939,408**	**3,699,966**
Pending Setlement resales - Own Portfolio				
Treasury Bills - LFT	2,570,180	3,601,979	2,570,180	3,601,979
National Treasury Bills- LTN	350,000	50,000	350,000	50,000
National Treasury Notes - NTN	-	29,999	-	29,999
Other	-	-	19,228	17,988
Interbank Deposits	**117,590**	**122,603**	**117,590**	**122,603**
Interbank Deposits (*)	117,590	119,005	117,590	119,005
Foreign Currency Investments		3,598		3,598
Total	**3,037,770**	**3,804,581**	**3,056,998**	**3,822,569**

(*) *On September 30, 2011, out of the amount of R$117,590 in Interbank Deposits, R$98,377 have maturities of more than ninety days from the date of application.*

Note 05 - Securities and Derivatives

Breakdown of the portfolio of Securities and Derivatives:

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Trading Securities	2,251,663	2,017,053	2,253,636	2,018,816
Available-for-sale Securities	1,764,451	1,666,709	1,772,999	1,668,890
Held-to-Maturity Securities	5,116,109	4,627,099	5,121,577	4,630,046
Derivatives	-	159,640	-	159,640
Total	**9,132,223**	**8,470,501**	**9,148,212**	**8,477,392**
Current Assets	**3,315,445**	**3,463,850**	**3,325,966**	**3,467,794**
Noncurrent Assets	**5,816,778**	**5,006,651**	**5,822,246**	**5,009,598**

The fair value presented in the chart below was assessed as follows: actively traded Treasury Bills are determined based on prices published by the ANBIMA (Brazilian Association of Financial and Capital Markets); equity shares of publicly-held companies are based on the average last day trade; investment fund shares are daily updated by the respective share price informed by the fund administrator; and for securities where no prices are available (mainly Salary Variation Compensation Fund - CVS), Banrisul calculates their fair value based on the figure derived from adopting an internal pricing method.

(a) Trading Securities

Breakdown of Trading Securities per Type, at Market Value:

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Tresury Bills - LFT	2,251,663	2,017,053	2,251,663	2,017,053
Shares of Publicly-Held Companies	-	-	1,973	1,763
Total	**2,251,663**	**2,017,053**	**2,253,636**	**2,018,816**

Breakdown per maturity:

	Banrisul		Banrisul Consolidated	
Maturity	Acquisition Cost	Market Value	Acquisition Cost	Market Value
No maturity	-	-	2,248	1,973
3 to 12 months	403,390	403,394	403,390	403,394
1 to 3 years	1,214,799	1,214,825	1,214,799	1,214,825
3 to 5 years	95,581	95,591	95,581	95,591
5 to 15 years	537,853	537,853	537,853	537,853
Total in 2011	**2,251,623**	**2,251,663**	**2,253,871**	**2,253,636**
Total in 2010	**2,017,006**	**2,017,053**	**2,018,769**	**2,018,816**

According to the Central Bank of Brazil regulations, these securities are classified in current assets at their fair value.

(b) Available-for-Sale Securities

Breakdown of Available-for-Sale Securities per Type, at Market Value:

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Treasury Bills - LFT	1,242,802	1,125,532	1,242,802	1,125,532
Shares of Publicly-Held Companies	9,305	14,614	9,307	14,616
Privatization Certificates	-	-	6	5
Fixed Income Fund Shares	10,052	5,542	18,592	7,716
Receivable Investment Funds Shares (*)	502,292	521,021	502,292	521,021
Total	**1,764,451**	**1,666,709**	**1,772,999**	**1,668,890**

(*) *Refers to 100% of senior shares of the Matone Credit Receivable Investment Fund - Payroll Loans administered by BTG Pactual Serviços Financeiros S.A., whose credit receivables are held in custody at Deutsche Bank S.A. As the resources of the Fund are invested in receivables, the redemption of shares owned by Banrisul depends on available funds, and Banrisul may be required to wait until the maturity of such credits (up to 72 months). The expected yield of the senior shares is 114% of the DI rate.*

Breakdown per maturity:

	Banrisul		Banrisul Consolidated	
Maturity	**Updated acquisition Cost**	**Market Value**	**Updated acquisition Cost**	**Market Value**
Without maturity	535,096	521,649	543,642	530,197
3 to 12 months	141,182	141,182	141,182	141,182
1 to 3 years	1,026,856	1,026,868	1,026,856	1,026,868
3 to 5 years	74,744	74,752	74,744	74,752
Total in 2011	**1,777,878**	**1,764,451**	**1,786,424**	**1,772,999**
Total in 2010	**1,674,828**	**1,666,709**	**1,677,009**	**1,668,890**

The adjustment to fair value as of September 30, 2011, in the amount of R$13,427 (2010 - R$8,119), was recorded under a specific Shareholders' Equity account, net of taxes of R$5,372 (2010 - R$3,249), recorded in "Other Receivables".

(c) Held-to-Maturity Securities

Breakdown of Held-to-Maturity Securities per Type, at cost plus yield:

	Banrisul		Banrisul Consolidated	
	Updated acquisition Cost	Market Value	Updated acquisition Cost	Market Value
Federal Government Securities				
Treasury Bills - LFT	4,940,819	4,940,939	4,946,287	4,946,407
Salary Variation Compensation - CVS	148,471	111,922	148,471	111,922
Other	6	6	6	6
Mortgage-Backed Securities - LH	24,263	24,263	24,263	24,263
Certificate of Real Estate Receivables - CRI	2,550	2,550	2,550	2,550
Total in 2011	**5,116,109**	**5,079,680**	**5,121,577**	**5,085,148**
Total in 2010	**4,627,099**	**4,587,301**	**4,630,046**	**4,590,248**

Breakdown per maturity:

	Banrisul		Banrisul Consolidated	
Maturity	**2011**	**2010**	**2011**	**2010**
Up to 3 months	400,951	6	400,951	6
3 to 12 months	-	882,532	-	882,532
1 to 3 years	2,288,325	2,035,292	2,288,325	2,035,292
3 to 5 years	1,299,423	1,551,324	1,304,891	1,554,271
5 to 15 years	978,939	2,686	978,939	2,686
Over 15 years	148,471	155,259	148,471	155,259
Total	**5,116,109**	**4,627,099**	**5,121,577**	**4,630,046**
Current Assets	**400,951**	**882,538**	**400,951**	**882,538**
Noncurrent assets	**4,715,158**	**3,744,561**	**4,720,626**	**3,747,508**

(d) Derivatives

Until November 2010, Banrisul entered into derivative swap transactions in order to meet its own needs, mitigate the effects of changes in forward rates, exchange rates and reference rates (TR) on certain assets, thereby exchanging these rates for the SELIC rate variation. On December 7, 2010, Banrisul amended the assignment agreement entered into with the State of Rio Grande do Sul, whereby it revoked the rate equalization clauses in the swap contracts, and offset adjustments receivable calculated through that base date in the amount of R$102,909 against the fair value of the Credits with National Housing System - Salary Variation Compensation Fund (FCVS), not affecting Banrisul's income (loss).

As of September 30, 2010, the amounts were as follows:

	Banrisul and Banrisul Consolidated							
	Notional Value	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	2010
Assets								
SELIC + Fixed Rate-FCVS	65,555	-	-	-	9	21,300	4,603	25,912
SELIC + Fixed Rate	88,974	10,788	12,294	24,588	24,588	61,470	-	133,728
Liabilities								
TR + Fixed Rate	(65,555)	(8,504)	(10,761)	(14,049)	(6,835)	(10,158)	(646)	(50,953)
USD+BID+Fixed Rate	(88,974)	-	(720)	(1,314)	(1,163)	(2,355)	-	(5,552)
Net Adjustment		**2,284**	**813**	**9,225**	**16,599**	**70,257**	**3,957**	**103,135**

The counterparty to the above mentioned swap transactions was the Rio Grande do Sul State Government and these transactions were tied to the assignment of FCVS credits and borrowings from municipal governmental entities, with the same maturity dates as the underlying transactions.
These swap transactions were not designed to be separately traded in the market as the Bank entered into such transactions with the purpose of adjusting the values of transactions linked to them. These swap transactions were designed to adjust the prices of transactions linked to them and togheter were subject to rates equivalent to those prevailing in the market on the same date. Maturity dates would be concurrent with those of the original transactions.As of September 30, 2010, the amounts receivable and amounts payable were as follows:

	Banrisul and Banrisul Consolidated
	2010
Derivatives	
Adjustments Receivable - Short Term	23,082
Adjustments Receivable - Long Term	136,558
Adjustments Payable - Short Term	(19,985)
Adjustments Payable - Long Term	(36,520)
Net Adjustment	**103,135**

As of September 30, 2011, there were no outstanding operations involving derivatives.

Note 06 - Restricted Deposits

		Banrisul and Banrisul Consolidated	
Description	**Interest Rate**	**2011**	**2010**
Compulsory Deposits - Brazilian Central Bank		**2,524,256**	**1,881,085**
Demand deposits and other funds	None	498,957	447,926
Additional liabilities	SELIC	361,138	26,709
Savings deposits	Savings account	1,006,901	1,190,599
Other deposits	None	41,291	26,398
Other deposits	TR	-	189,453
Bacen Time Deposits	SELIC	615,969	-
Credits with the National Housing System		**645,742**	**485,813**
Acquired portfolio	(*)	443,776	314,655
Acquired portfolio	TR + Interest (**)	185,680	155,543
Own portfolio	TR + Interest (**)	16,286	15,615
Correspondents	None	**31,438**	**26,180**
Agreements	SELIC	**3,304**	**-**
Total		**3,204,740**	**2,393,078**
Current Assets		**2,558,998**	**1,907,265**
Noncurrent Assets		**645,742**	**485,813**

(*) *Until November 2010, the yield on those credits was linked to a swap contract as detailed in Note 05 (d), resulting in a net yield equivalent to the Selic Rate plus some 1% p.a. on average. Beginning December 2010, the yield is fixed at 14.07% p.a;*

(**) *Refers to credits with FCVS updated according to the payment of funds from which TR + 6.17% for loans from own resources and TR + 3.12% for credits from FGTS.*

National Housing System (SFH) - Acquired Portfolio -
From October 2002 to March 2005, Banrisul acquired from the State Government of Rio Grande do Sul receivables related to the Salary Variation Compensation Fund (FCVS). The acquisition terms include a clause guaranteeing financial settlement by the State Government of non-performing contracts, if any.
On December 7, 2010, in connection with the cancellation of the equalization rate clause in swap contracts, as stated in note 05, these assets were subject to a revaluation that resulted in an increase of R$102,909 to the original acquisition cost, offsetting the net adjustments from swap contracts, as described in note 05 (d), with no impact on net income (loss).
As of September 30, 2011, receivables are stated at cost plus income earned through the balance sheet date, in the amount of R$629,456 (2010 - R$470,198). Their face value of these receivables is R$818,839 (2010 - R$779,543). As per the regulation issued by the Federal Government about the FCVS, these receivables will be converted into CVS securities, pursuant to ratification and novation processes that are under the control of Caixa Econômica Federal (a federal Government bank).

Once the ratification process of FCVS into CVS passed the original deadline estimated, Bank's management decided to control and present separately the over due amounts restated by inflation based on the TR (official index rating) plus interest. While no maturity date has been set to these receivables, market values, upon the issuance of securities (convertion of FCVS into CVS), could significantly differ from the carrying amounts.

National Housing System (SFH) - Own Portfolio - Refers to FCVS credits arising from Banrisul's own mortgage loans portfolio that have already been approved by the FCVS's regulatory body.

Note 07 - Loans, Lease Operations and Other Credit-Like Receivables

The tables below show loans, lease and foreign exchange portfolio balances.

(a) Breakdown by Type of Operation and Risk Level:

	Banrisul and Banrisul Consolidated										
	AA	A	B	C	D	E	F	G	H	2011	2010
Loan and Discounted Receivables	1,931,791	7,173,864	2,326,114	1,332,492	430,828	341,255	450,862	75,986	401,320	14,464,512	12,103,142
Financing	460,664	432,614	286,706	76,584	16,579	18,824	7,048	3,548	26,765	1,329,332	1,125,067
Rural and Agro-Industrial Financing	220,933	544,774	415,132	199,657	68,416	43,488	34,755	12,157	44,852	1,584,164	1,181,137
Real Estate Financing	492,855	590,800	305,201	115,128	38,385	23,062	22,947	1,717	20,881	1,610,976	1,217,623
Infrastructure and Development Financing	19,522	49,654	-	-	-	-	-	-	-	69,176	56,741
Total Loans	**3,125,765**	**8,791,706**	**3,333,153**	**1,723,861**	**554,208**	**426,629**	**515,612**	**93,408**	**493,818**	**19,058,160**	**15,683,710**
Lease Operations	10,859	21,280	23,169	13,164	5,591	1,967	2,862	185	4,505	83,582	83,185
Advances on Foreign Exchange Contracts (1)	10,614	167,938	164,458	101,689	23,826	4,974	3,536	1,027	17,300	495,362	443,158
Other Receivables - Foreign Exchange (2)	144	3,039	3,817	1,621	1,455	80	725	5,648	1,046	17,575	27,027
Total Banrisul in 2011	**3,147,382**	**8,983,963**	**3,524,597**	**1,840,335**	**585,080**	**433,650**	**522,735**	**100,268**	**516,669**	**19,654,679**	
Total Banrisul in 2010	**5,304,177**	**5,552,222**	**2,468,154**	**1,191,945**	**231,394**	**242,785**	**735,284**	**82,185**	**428,934**		**16,237,080**

(1) *Advances on foreign exchange contracts are classified as a reduction of "Other payables - Foreign exchange portfolio" (Note 13);*

(2) *Other Receivables - Foreign exchange include receivables from foreign exchange contracts and receivables from export contracts.*

(b) Client Breakdown per Maturity and Risk Levels:

	Banrisul and Banrisul Consolidated										
	AA	A	B	C	D	E	F	G	H	2011	2010
Falling due (*)	**3,147,329**	**8,982,905**	**3,515,204**	**1,814,600**	**563,124**	**407,393**	**478,223**	**68,763**	**347,268**	**19,324,809**	**15,930,216**
Up to 180 days	1,224,758	2,260,712	1,384,476	811,215	249,764	183,547	211,633	26,831	94,561	6,447,497	5,523,985
181 to 360 days	466,730	1,401,691	644,039	307,738	94,569	71,921	76,454	11,875	53,927	3,128,944	2,418,556
Over 360 days	1,455,841	5,320,502	1,486,689	695,647	218,791	151,925	190,136	30,057	198,780	9,748,368	7,987,675
Past-due	**53**	**1,058**	**9,393**	**25,735**	**21,956**	**26,257**	**44,512**	**31,505**	**169,401**	**329,870**	**306,864**
Up to 180 days	53	1,058	9,393	25,735	21,956	26,204	43,934	31,040	108,800	268,173	211,442
181 to 360 days	-	-	-	-	-	53	578	465	46,031	47,127	58,725
Over 360 days	-	-	-	-	-	-	-	-	14,570	14,570	36,697
Total Banrisul in 2011	**3,147,382**	**8,983,963**	**3,524,597**	**1,840,335**	**585,080**	**433,650**	**522,735**	**100,268**	**516,669**	**19,654,679**	
Total Banrisul in 2010	**5,304,177**	**5,552,222**	**2,468,154**	**1,191,945**	**231,394**	**242,785**	**735,284**	**82,185**	**428,934**		**16,237,080**

(*) *Amounts up to 14 days past-due are classified as falling due.*

(c) Portfolio Breakdown by Business Sector:

	Banrisul and Banrisul Consolidated	
	2011	**2010**
Municipal Public Sector		
Government - direct and indirect administration	121,983	110,850
Corporate activity - Other services	-	18,932
Total Public Sector	**121,983**	**129,782**
Private sector		
Rural	1,584,164	1,181,137
Industry	3,888,389	3,376,862
Commerce	2,324,943	1,899,208
Services and other	1,791,023	1,312,165
Individuals (*)	8,333,201	7,120,303
Housing	1,610,976	1,217,623
Total Private Sector	**19,532,696**	**16,107,298**
Total	**19,654,679**	**16,237,080**

(*) *Includes R$2,381,070 (R$2,036,284 in 2010) related to acquired payroll loan portfolio with co-obligation from other financial institutions.*

(d) Changes in allowances for loan losses, doubtful lease receivables and other credit-like receivables

The changes in allowances for losses on loans, on lease transactions and on other credit-like receivables (exclusively) are as follows:

	Banrisul and Banrisul Consolidated	
	2011	2010
Opening balance of allowance for loan losses	**1,101,923**	**1,016,754**
Allowance recorded in the nine-month período	463,566	389,751
Write-offs to memorandum accounts	(280,890)	(283,802)
Allowance for Loan Losses per risk level	**1,284,599**	**1,122,703**
Allowance for loan losses		
Current Assets	455,224	419,109
Noncurrent Assets	778,582	664,561
Allowance for doubtful lease receivables		
Current Assets	2,450	2,460
Noncurrent Assets	6,155	5,074
Allowance for losses on other credit-like receivables		
Current Assets	16,932	12,457
Noncurrent Assets	25,256	19,042

Expenses related to allowance for other receivables without loan characteristics, as of September 30, 2011, amount to R$275.

(e) Breakdown of allowances for loans losses, doubtful lease receivables and other credit-like receivables per risk level:

	Banrisul and Banrisul Consolidated				
					Recorded Allowance
Risk level	Loan Portfolio	Minimum allowance required by Resolution 2,682/99	Minimum allowance required	Additional Allowance (Note 3(f))	Total
AA	3,147,382	0.0%	-	6,160	6,160
A	8,983,963	0.5%	44,920	17,968	62,888
B	3,524,597	1.0%	35,246	17,623	52,869
C	1,840,335	3.0%	55,210	36,807	92,017
D	585,080	10.0%	58,508	11,702	70,210
E	433,650	30.0%	130,095	8,673	138,768
F	522,735	50.0%	261,367	10,455	271,822
G	100,268	70.0%	70,188	3,008	73,196
H	516,669	100.0%	516,669	-	516,669
Total in 2011	**19,654,679**		**1,172,203**	**112,396**	**1,284,599**
Total in 2010	**16,237,080**		**1,038,281**	**84,422**	**1,122,703**

Loans written off as losses in the nine-month period ended September 30, 2011, stated at the adjusted amount until actual write-off in a memorandum account, amounted to R$280,615 (2010 - R$282,802).

Recoveries of loans previously written off as losses were recognized as income from lending operations and amounted to R$89,985 (2010 - R$86.648) in the nine-month period ended September 30, 2011, net of related losses.

Note 08 - Other Receivables

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Foreign Exchange Portfolio	**599,556**	**459,516**	**599,556**	**459,516**
Purchased foreign exchange, pending settlement	583,750	435,188	583,750	435,188
Advances in foreign currency received	-	(126)		(126)
Term bills in foreign currency	1,403	75	1,403	75
Rights on sale of foreign exchange	21,299	39,814	21,299	39,814
Advances in local currency	(18,291)	(24,910)	(18,291)	(24,910)
Income receivable from advances	11,395	9,475	11,395	9,475
Income receivable	**40,140**	**33,232**	**37,643**	**32,233**
Dividends and bonuses receivable	2,497	2,247	-	1,248
Receivables from services rendered	37,418	30,687	37,418	30,687
Other	225	298	225	298
Negotiation and intermediation of amounts	**-**	**-**	**3,474**	**3,440**
Negotiation and intermediation of amounts	-	-	3,474	3,440
Specific Credits	**-**	**-**	**22**	**16**
Specific Credits	-	-	22	16
Sundry	**1,519,198**	**1,464,131**	**1,590,684**	**1,530,388**
Advances to Loan Guarantee Fund	42,620	62,291	42,620	62,291
Advances to employees	22,353	20,035	22,503	20,118
Advances for payment by our account	565	680	6,723	7,151
Deferred income and social contribution taxes (Note 22(b))	669,855	622,503	674,670	627,693
Escrow deposits (Note 14)	173,361	162,321	184,793	173,851
Recoverable taxes	157,468	131,899	167,106	138,756
Reimbursable payments	39,268	82,394	39,296	82,950
Notes and credits receivable(*)	244,384	241,045	245,930	241,782
Credit Cards	102,048	68,922	102,048	68,922
Other debtors - Domestic	67,276	72,041	104,995	106,874
Allowance for losses on other receivables	**(64,575)**	**(101,530)**	**(66,447)**	**(102,033)**
Credit-like receivables	(42,188)	(31,499)	(42,188)	(31,499)
Non-credit-like receivables	(22,387)	(70,031)	(24,259)	(70,534)
Total other receivables	**2,094,319**	**1,855,349**	**2,164,932**	**1,923,560**
Current assets	**1,095,546**	**1,049,599**	**1,149,970**	**1,106,648**
Noncurrent assets	**998,773**	**805,750**	**1,014,962**	**816,912**

(*) *Notes and Credit Receivables mainly comprise:*

(a) *Securities issued to cover court-ordered debts ("precatórios") involving the National Treasury. In the first quarter of 2005, as part of its receivables recovery policy, Banrisul received as payment in kind securities issued by the Federal Government to pay court-ordered debts from companies in the same Economic Group. The amount is represented by a judicial deposit on behalf of Banrisul, which will be released once the Federal Government ends a litigation against the Economic Group. As of September 30, 2011, these securities amount to R$93,614 (2010 - R$86,418) and are subject to the variation of the Extended National Consumer Price Index(IPCA-E) and interest.*

(b) *Refer to non-credit-like receivables, acquired by the Bank from the State Government of Rio Grande do Sul, in the amount of R$88,664 (R$91,763) related to receivables arising from transactions of the State Government of Rio Grande do Sul or its controlled entities, with the municipality of cities in the State of Rio Grande do Sul. This receivables have yield of 1% to 8.5% p.a. plus the TR or IGPM variation, maturing through 2036.*

Note 09 - Permanent Assets

(a) Property and equipment

		Banrisul			
	Rate	Original Cost	Accumulated Depreciation	Net Balance in 2011	Net Balance in 2010
Property in Use					
Land and Buildings in Use	4%	120,325	(98,229)	22,096	22,815
Other					
Furniture and Equipment in inventory	-	7,100	-	7,100	12,315
Property and Equipment in Progress	-	56	-	56	114
Facilities	10%	91,240	(79,765)	11,475	11,842
Furniture and Equipment in Use	10%	73,452	(52,225)	21,227	20,931
Other					
Communication System	10%	4,433	(3,943)	490	590
Data Processing System	20%	302,866	(211,630)	91,236	92,606
Security System	10%	9,406	(6,968)	2,438	2,606
Transportation System	20%	2,248	(2,061)	187	319
Total in 2011		**611,126**	**(454,821)**	**156,305**	
Total in 2010		**582,339**	**(418,201)**		**164,138**

		Banrisul Consolidated			
	Rate	Original Cost	Accumulated Depreciation	Net Balance in 2011	Net Balance in 2010
Property in Use					
Land and Buildings in Use	4%	130,586	(103,134)	27,452	28,388
Other					
Furniture and Equipment in Inventory	-	7,100	-	7,100	12,315
Property and Equipment in Progress	-	56	-	56	114
Facilities	10%	92,438	(80,233)	12,205	12,668
Furniture and Equipment in Use	10%	76,903	(55,080)	21,823	21,563
Other					
Communication System	10%	4,434	(3,943)	491	591
Data Processing System	20%	303,657	(212,277)	91,380	92,735
Security System	10%	9,406	(6,968)	2,438	2,605
Transportation System	20%	2,313	(2,088)	225	370
Total in 2011		**626,893**	**(463,723)**	**163,170**	
Total in 2010		**597,837**	**(426,488)**		**171,349**

(b) Intangible Assets

				Banrisul		Banrisul Consolidated	
Intangible Assets	Rate	Original Cost	Amortization	Net Balance in 2011	Net Balance in 2010	Net Balance in 2011	Net Balance in 2010
Right from Acquisition of Payroll operations (*)							
- Public Sector	20%	298,284	(199,985)	98,299	157,957	98,299	157,957
- Private Sector	20%	27,664	(10,495)	17,169	20,337	17,169	20,337
Software Acquisition	20%	41,585	(31,148)	10,437	8,200	11,014	8,200
Other	-	968	(619)	349	64	732	1,105
Total in 2011		**368,501**	**(242,247)**	**126,254**		**127,214**	
Total in 2010		**360,663**	**(174,105)**		**186,558**		**187,599**

(*) *This refers to agreements entered into with public and private sector entities to ensure the exclusivity in banking services for payroll processing and priority offering of payroll loans to employees, bill collection portfolio, supplier payment and other banking services. Such agreements are effective for five years and are amortized over the agreement period. No indications that these assets are impaired were identified.*

Note 10 - Deposits and Money Market Funding

	Banrisul					
	Without maturity	Up to 3 months	3 to 12 months	Over 12 months	2011	2010
Deposits						
Demand deposits (a)	2,558,461	-	-	-	2,558,461	2,114,254
Savings deposits (a)	5,072,399	-	-	-	5,072,399	6,295,708
Interbank deposits	-	11,516	-	-	11,516	14,652
Time deposits (b)	7,270	2,170,306	4,456,820	6,899,086	13,533,482	9,756,625
Other deposits	891	-	-	-	891	1,861
Total	**7,639,021**	**2,181,822**	**4,456,820**	**6,899,086**	**21,176,749**	**18,183,100**
Current liabilities					**14,277,663**	**14,735,857**
Noncurrent liabilities					**6,899,086**	**3,447,243**
Money market funding						
Own Portfolio	-	1,702,516	-	-	1,702,516	2,350,621
Total	**-**	**1,702,516**	**-**	**-**	**1,702,516**	**2,350,621**

	Banrisul Consolidated					
	Without maturity	Up to 3 months	3 to 12 months	Over 12 months	2011	2010
Deposits						
Demand deposits **(a)**	2,555,954	-	-	-	2,555,954	2,108,912
Savings deposits **(a)**	5,072,399	-	-	-	5,072,399	6,295,708
Interbank deposits	-	11,516	-	-	11,516	14,652
Time deposits **(b)**	7,270	1,906,180	4,456,820	6,899,086	13,269,356	9,532,965
Other deposits	891	-	-	-	891	1,861
Total	**7,636,514**	**1,917,696**	**4,456,820**	**6,899,086**	**20,910,116**	**17,954,098**
Current liabilities					**14,011,030**	**14,603,711**
Noncurrent liabilities					**6,899,086**	**3,350,387**
Money market funding						
Own Portfolio	-	1,634,047	-	-	1,634,047	2,285,898
Total	**-**	**1,634,047**	**-**	**-**	**1,634,047**	**2,285,898**

(a) *Classified as without maturity since they can be redeemed immediately;*

(b) *Consider the maturities set for each investment.*

Time deposits are made up of individuals and companies, with floating or fixed charges equivalent to 86% and 14% of the total portfolio, respectively. The average funding rate for floating-rate deposits corresponds to 72.73% (2010 - 96.85%) of the CDI variation, and for fixed-rate deposits, to 9.33% (2010 - 8.44%) p.a. Funding through money market purchase and sale commitments operations - own portfolio -, conducted with financial institutions, has an average funding rate of 100% of the CDI variation.

Note 11 - Borrowings

Foreign Borrowings: represented by funds obtained from foreign banks to be used in foreign exchange commercial transactions subject to the variation of the corresponding currencies plus annual interest at rates ranging from 2.0% to 5.00% (2010 - 2.00 % to 7.76%) with maximum term of 1,826 days (2010 - 1,100 days).

Note 12 - Onlendings

	Banrisul and Banrisul Consolidated					
	Domestic Onlendings - Official Institutions		Foreign Onlendings		Total	
	2011	2010	2011	2010	2011	2010
Up to 90 days	101,564	252,579	-	26,318	101,564	278,897
91 to 360 days	201,067	29,365	1,684	15,904	202,751	45,269
1 to 3 years	360,390	314,712	31,778	1,814	392,168	316,526
3 to 5 years	216,226	174,747	264	726	216,490	175,473
Over 5 years	256,246	220,219	-	-	256,246	220,219
Total	**1,135,493**	**991,622**	**33,726**	**44,762**	**1,169,219**	**1,036,384**
Current liabilities	**302,631**	**281,944**	**1,684**	**42,222**	**304,315**	**324,166**
Noncurrent liabilities	**832,862**	**709,678**	**32,042**	**2,540**	**864,904**	**712,218**

Internal funds for onlending refer primarily to funds from Official Institutions (BNDES - National Bank for Economic and Social Development, FINAME - National Equipment Financing Authority and Caixa Econômica Federal - Federal Savings and Loan Bank). These liabilities mature on a monthly basis through September 2028, and are subject to interest of 0.50% to 8.00% (2010 - 0.90% to 8.00%) p.a., plus variation of the indexes (TJLP – *"Long-term interest rate"*, U.S. dollar and Currency Basket) for floating-rate operations and up to 11.00% (2010 - 11.00%) p.a. for fixed-rate operations. Funds are transferred to customers on the same terms and with the same funding rates, plus commission on financial intermediation. These funds are collateralized by the same guarantees received for the related loans.

Note 13 - Other Payables

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Collected taxes and other	**133,366**	**111,978**	**133,366**	**111,978**
Receipt of federal taxes	133,081	111,710	133,081	111,710
Other	285	268	285	268
Foreign exchange portfolio	**36,149**	**42,468**	**36,149**	**42,468**
Pending Setlement exchange sold	21,670	38,759	21,670	38,759
Foreign exchange purchased	509,841	446,867	509,841	446,867
Advances on foreign exchange contracts (Note 07 (a))	(495,362)	(443,158)	(495,362)	(443,158)
Social and statutory	**100,804**	**54,347**	**100,863**	**55,655**
Dividends and bonuses payable	60,236	20,814	60,295	22,122
Bonuses and profit sharing payable	40,568	33,533	40,568	33,533
Taxes and social security	**841,490**	**700,780**	**860,850**	**713,832**
Taxes and contributions payable	58,400	48,529	59,542	49,500
Reserve for income and social contribution taxes	360,989	252,308	377,725	262,953
Reserve for deferred taxes and contributions (Note 22 (b2))	13,415	10,962	13,416	10,962
Reserve for tax contingencies (Note 14 (b))	408,686	388,981	410,167	390,417
Trading and intermediation of securities	**-**	**-**	**3,163**	**3,089**
Trading and intermediation of securities	-	-	3,163	3,089
Financial and development funds	**5,011,739**	**4,395,584**	**5,011,739**	**4,395,584**
Payables for financial and development funds (Note 21 (a))	4,991,570	4,376,184	4,991,570	4,376,184
Other	20,169	19,400	20,169	19,400
Sundry	**934,744**	**819,225**	**1,011,349**	**885,172**
Cashier's check	1,669	1,092	1,669	1,092
Creditors for unreleased funds	96,664	48,609	96,884	48,799
Payables for acquisition of assets and rights	2,789	2,121	2,843	2,208
Liabilities under government agreements	25,411	22,944	25,411	22,944
Accrued vacation and related charges	254,591	207,483	247,082	200,824
Actuarial deficit of Fundação Banrisul (Note 23)	63,961	61,236	63,961	61,236
Reserve for labor contingencies (Note 14(b))	112,663	109,274	124,354	123,098
Brazilian Central Bank fines on foreign exchange transactions (Note 14 (f)(i))	119,288	114,229	119,288	114,229
Reserve for social security contingencies (Note 14 (f)(ii))	18,783	18,783	18,783	18,783
Reserve for securitization losses (*)	3,584	4,262	3,584	4,262
Reserve for civil risk (Note 14 (b))	10,445	9,686	10,533	9,686
Reserve for debts assumed with Grupo de Empresas Seguradoras Brasileiras (GESB) arising from Companhia União de Seguros Gerais	8,028	7,334	8,028	7,334
FGTS (Severance Pay Fund) for amortization	4,367	3,221	4,367	3,221
Sundry creditors – Domestic	74,841	76,481	145,476	134,061
Card transactions payable	84,878	57,655	84,878	57,655
Other	52,782	74,815	54,208	75,740
Total Other Payables	**7,058,292**	**6,124,382**	**7,157,479**	**6,207,778**
Current Liabilities	**6,431,468**	**5,575,729**	**6,530,150**	**5,658,642**
Noncurrent Liabilities	**626,824**	**548,653**	**627,329**	**549,136**

(*) *Banrisul management recognizes a provision for co-obligation of securitized receivables with the National Treasury, in the amount of R$27,649 (2010 - R$42,779), controlled in a memorandum account, which are the responsibility of agricultural borrowers.*

Note 14 - Reserves, Contingent Assets and Liabilities

In the normal course of their activities, Banrisul and its subsidiaries are parties to tax, labor and civil lawsuits at the judicial and administrative levels.
The provisions were calculated based on the opinion of the legal counselors, using measurement models and benchmarks available, despite the inherent uncertainty as to the period and outcome of the suits. Banrisul records a reserve in the total amounts involved in lawsuits that have been assessed as probable losses.
Management believes that the reserves are sufficient to cover probable losses arising from lawsuits.

(a) Contingent Assets

As of September 30, 2011 no contingent assets were recorded.

(b) Changes in Provisions

					BANRISUL
	TAX	LABOR	CIVIL	OTHER	TOTAL
Initial Balance at 12/31/2010	**393,470**	**111,894**	**9,575**	**134,164**	**649,103**
Recognition and Inflation Adjustment	15,216	73,582	1,948	3,907	94,653
Reversal of Provision	-	-	(767)	-	(767)
Payment	-	(72,813)	(311)	-	(73,124)
Closing Balance at 09/30/2011	**408,686**	**112,663**	**10,445**	**138,071**	**669,865**
Garanteed Deposits (Note 8)	-	91,602	63,202	18,557	173,361

					BANRISUL CONSOLIDATED
	TAX	LABOR	CIVIL	OTHER	TOTAL
Initial Balance at 12/31/2010	**394,916**	**123,073**	**9,575**	**134,164**	**661,728**
Recognition and Inflation Adjustment	15,251	76,399	2,036	3,907	97,593
Reversal of Reserves	-	(80)	(767)	-	(847)
Payment	-	(75,038)	(311)	-	(75,349)
Closing Balance at 09/30/2011	**410,167**	**124,354**	**10,533**	**138,071**	**683,125**
Garanteed Deposits (Note 8)	1,577	100,036	64,623	18,557	184,793

(c) Tax Provisions

Provisions for tax contingencies relate primarily to liabilities related to taxes whose legality or constitutionality is being challenged at the administrative or judicial levels, whose likelihood of loss is considered as probable and are recognized at the full amount under dispute. For lawsuits collateralized by escrow deposits, the provisioned amounts and respective escrow deposits are not adjusted for inflation. When legal permits are issued as a result of a favorable outcome, the provisioned amounts and respective escrow deposits are adjusted for inflation and withdrawn. The main tax contingency refers to income and social contribution taxes on the deduction of expenses arising from the settlement of the actuarial deficit of Fundação Banrisul de Seguridade Social (Banrisul Social Security Foundation), challenged by the Federal Revenue Service from 1998 to 2005 in the amount of R$408,686. Banrisul, through its legal counsel, has been discussing the matter in court and recorded a reserve for contingencies in the amount of the estimated loss. There are also some tax contingencies whose likelihood of loss, based on their nature, is considered as possible, in the amount of R$40,759 (Consolidated - R$59,084) . A reserve for contingencies was not recognized, in accordance with applicable accounting practices.

(d) Labor Provisions

These refer to lawsuits filed by, mainly, unions and former employees claiming labor rights, in particular the payment of overtime and other labor rights.
This account records the provision for labor claims filed against Banrisul when a court notification is received and the likelihood of loss is considered as probable. The reserve is calculated according to the disbursement estimated by our management, timely reviewed based on data received from our legal counsel, and adjusted to the escrow deposit when required. Of the aforementioned reserve, R$73,686 (consolidated - R$81,351) has been deposited in an escrow account. Additionally, R$18,685 was required for appeals.
There are also some labor claims whose likelihood of loss, based on their nature, is considered as possible, in the approximate amount of R$47,039 (Consolidated - R$47,740). Certain labor processes filed against the Bank comprise more than one issued being claimed and, therefore, Bank's legal advisors prepare an evaluation of each claim separately and determine the likelihood of loss also separately. In these circumstances, some labor processes encompass amounts that are probable losses and also application in the same action are considered as possible losses. As at September 30, 2011 the total amount of possible loss on claims related to labor processes that already have the probable loss reserved for, is R$171,743 (Consolidated - R$180,174). A reserve for contingencies was not recognized for the amounts of possible loss on labor claims, in accordance with applicable accounting practices.

(e) Civil Provisions

Lawsuits for damages refer to compensation for property damage and/or pain and suffering, referring to consumer relations, in particular, matters relating to credit cards, consumer credit, checking accounts, banking collection and loans.
This account records the provision for civil suits when a court notification is received, and is adjusted monthly based on the amount claimed, on evidence produced and on the assessment of the related risk of loss made by the legal counsel, considering case law, factual information gathered, evidence produced in the records and court decisions on the lawsuit.
There is also an amount of R$93,414 (Consolidated - R$94,245) included in the balance of escrow deposits related to claims filed by third parties against Banrisul, whose likelihood of loss is classified by our legal counsel as possible.

(f) Others

i. On September 29, 2000, Banrisul received an assessment notice from the Central Bank of Brazil in connection with administrative proceedings filed by that authority related to supposed irregularities in foreign exchange transactions between 1987 and 1989. In an appeal decision at the administrative level, Banrisul was required to pay a fine equivalent to 100% of the amount of the supposedly irregular transactions. This decision is being challenged in court by Management, which, in compliance with BACEN requirements, recorded a reserve in the amount of R$119,288 for this contingency.

ii. INSS tax assessment notice related to social security contribution on compensation other than salary and on education allowance, whose likelihood of loss is classified by our legal counsel as probable. A reserve in the amount of R$18,783 was recorded.

Note 15 - Income From Services Rendered

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Funds Management	45,547	42,304	48,138	47,389
Collection of Debt Instruments	34,467	31,593	34,467	31,862
Income from Group Financing Management Fee	-	-	11,149	8,660
Income from Brokerage of Operations	-	-	2,820	3,396
Other Income	881	657	10,434	20,198
Total	**80,895**	**74,554**	**107,008**	**111,505**

Note 16 - Income From Bank Fees

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Banricompras	73,603	61,611	73,603	61,611
Check Returns	13,948	13,730	13,948	13,730
Checking Account Debits	17,268	15,976	17,268	15,976
Collection Services	44,407	44,960	44,407	44,960
Transactions with Checks	9,686	10,647	9,686	10,647
Bank Fees from Checking Accounts	204,337	178,577	204,337	178,577
Credit Card	7,008	9,143	7,008	9,143
Other Income from Fees	24,895	22,038	40,105	22,030
Total	**395,152**	**356,682**	**410,362**	**356,674**

Of a total R$395,152 in income received for the nine-month period ended September 30, 2011, R$191,725 (2010 - R$174,352) arise from operations with individuals and R$203,427 (2010 - R$182,330) from operations with legal entities.

Note 17 - Other Administrative Expenses

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Data Processing and Telecommunication	105,269	114,553	109,629	118,032
Security and Money Transportation	63,055	60,103	63,055	60,103
Amortization and Depreciation	82,970	81,031	83,408	81,572
Rentals and related fees	43,622	40,425	42,717	39,241
Supplies	17,456	19,039	17,490	19,077
Outsourced Services	103,007	95,292	105,293	97,316
Advertising, Promotions and Publicity (*)	35,343	85,313	35,833	86,177
Maintenance and upkeep	16,344	18,666	16,528	18,830
Water, Electricity and Gas	13,876	14,552	14,052	14,707
Financial System Services	15,833	14,652	16,777	15,352
Other	26,991	26,188	29,146	27,477
Total	**523,766**	**569,814**	**533,928**	**577,884**

(*) *Comprises mainly institutional advertising of R$4,549 (2010 - R$34,160) and sponsorship of sport events and clubs of R$25,868 (2010 - R$43,663).*

Note 18 - Other Operating Income

	Banrisul		Banrisul Consolidated	
	2011	**2010**	**2011**	**2010**
Recovery of Charges and Expenses	42,509	36,380	40,307	33,184
Reversal of Operating Reserves for:				
- Labor	-	-	80	-
- Civil	767	-	767	
- Other	32,801	1,791	32,801	1,791
- Reserve for Securitization Losses	1,323	3,167	1,323	3,167
Other Taxes	-	61	-	61
Commission on Capitalization Cerficates	3,270	1,379	3,270	1,379
Interbank Fees	14,784	15,881	14,784	15,881
Exchange Rate Adjustment	12,744	-	12,744	-
Credit Notes Receivable	6,264	7,972	6,264	7,972
Reserve Fund - Escrow Deposit - Law no. 12069	19,156	11,507	19,156	11,507
Brokerage and Administration Fee on Insurance	2,641	2,374	2,641	2,374
Other Operating Income	63,928	49,329	65,673	50,458
Total	**200,187**	**129,841**	**199,810**	**127,774**

Note 19 - Other Operating Expenses

	Banrisul		Banrisul Consolidated	
	2011	**2010**	**2011**	**2010**
Discount Granted from Renegotiations	7,258	5,081	7,258	5,081
Labor Provisions (Note 14 (b))	73,582	61,115	76,399	62,422
Provision for Properties - Assets not in use	2,859	3,283	2,859	3,283
Provision for Civil Lawsuits (Note 14 (b))	2,721	1,621	2,721	1,621
Collection of Federal Taxes				
Inflation Adjustment of Reserve for Tax Contingencies (Social Contribution Tax/ Income Tax) - (Note 14 (b))	15,216	12,592	15,251	12,624
Lawsuits Indemnifications	66	5,999	66	5,999
Inflation Adjustment of Brazilian Central Bank fines on Foreign Exchange	3,907	3,124	3,907	3,124
Inflation Adjustment of Borrowing from Fundação Banrisul	5,330	6,599	5,330	6,599
Expenses with Overdraft Accounts and Banricompras Prize Programs	-	704	-	704
Provision for Debts Assumed with GESB	1,350	951	1,350	951
Exchange Adjustment - Foreign Branches	-	3,109	-	3,109
Lawsuits	11,527	5,435	11,527	5,435
Cards	2,579	3,007	2,579	3,007
Credit Card Membership Program	3,815	-	3,815	-
Other Operating Expenses	28,016	13,957	28,758	13,700
Total	**160,174**	**129,341**	**163,856**	**130,423**

Note 20 - Shareholders' Equity - Banrisul

(a) Capital

Fully subscribed paid-up capital as of September 30, 2011 is R$3,200,000 and it is represented by 408,974 thousand shares without par value as follows:

	ON (*)		PNA (*)		PNB (*)		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Rio Grande do Sul State	204,199,859	99.59	2,721,484	75.03	26,086,957	13.02	233,008,300	56.97
Fundação Banrisul de Seguridade Social (pension plan)	449,054	0.22	158,983	4.38	-	0.00	608,037	0.15
Social Security Institute of Rio Grande do Sul State	44,934	0.02	168,612	4.65	-	0.00	213,546	0.05
Market	349,527	0.17	578,180	15.94	174,216,887	86.98	175,144,594	42.83
Total	**205,043,374**	**100.00**	**3,627,259**	**100.00**	**200,303,844**	**100.00**	**408,974,477**	**100.00**

(*) *Classes of shares – ON (Ordinary), PNA and PNB (Preferred shares defined as follow).*

The Extraordinary Shareholders' Meeting held on April 29, 2011 approved the capital increase through the use of revenue reserves in the amount of R$300,000 without the issuance of new shares. This capital increase has been approved by the Central Bank of Brazil.
Preferred shares do not carry voting rights and are entitled to the following payments:

Class A Preferred Shares:

i) Priority to receive fixed non-cumulative dividends of six percent (6%) p.a. on the figure resulting from the division of capital by the related number of shares comprising it;

ii) Right to take part, after Class B Common and Preferred Shares have been paid dividends equal to that paid to those shares, in the distribution of any other cash dividends or bonuses paid out by Banrisul, under the same conditions as Class B Common and Preferred Shares, plus an additional ten percent (10%) over the amount paid to those shares;

iii) Interest in capital increases deriving from the capitalization of reserves, under the same conditions as Class B Common and Preferred Shares; and

iv) Priority in capital reimbursement, without premium.

Class B Preferred Shares:

i) Interest in capital increases deriving from the capitalization of reserves, under the same conditions as Class A Common and Preferred Shares; and

ii) Priority in capital reimbursement, without premium.

(b) Allocation of Income

Net Income for the year, adjusted in accordance with Law no. 6404/76, shall be allocated as follows: (i) 5% to the Legal Reserve, not to exceed 20% of total Capital, (ii) 25% to the Statutory Reserve, and (iii) mandatory minimum dividends limited to 25% of adjusted net income. The remaining net income shall be allocated as decided in the Shareholders´ Meeting.

The Statutory Reserve is intended to ensure funds for investments in information technology, and is limited to 70% of paid-up capital.

The Ordinary and Extraordinary Shareholders' Meeting held on April 29, 2011 approved the proposed distribution of additional dividends for 2011, equivalent to 15% of Adjusted Net Income, totaling 40%.

The pay-out policy adopted by Banrisul aims to pay interest on capital for the maximum tax deductible amount calculated in accordance with prevailing legislation, which is included, net of withholding income tax, in the calculation of mandatory dividends for the fiscal year, as stated in our by-Laws.

As permitted by Law no. 9249/95 and CVM Resolution no. 207/96, Banrisul's management paid interest on capital in the amount of R$161,663 referring to the period from January to September 2011 (2010 - R$144,306), to be credited to dividends, net of withholding income tax.

The payment of this interest on capital resulted in a tax benefit for Banrisul in the amount of R$69,029 (2010 - R$61,048) (Note 22 (a)).

Note 21 - Commitments, Guarantees and Other

(a) State Law no. 12069 was enacted on April 22, 2004, as amended by Law no. 12585, of August 29, 2006, whereby Banrisul must transfer to Rio Grande do Sul State, upon its request, up to 85% of the escrow deposits made by third parties at Banrisul (except for those in which the litigant is a municipality). The remaining amount not transferred is to be recorded in a reserve fund to ensure the refund of said escrow deposits. As of September 30, 2011, the amount of escrow deposits made by third parties at Banrisul, adjusted through the balance sheet date by the TR (managed prime rate) variation plus interest of 6.17% p.a., totaled R$7,040,904 (2010 - R$6,419,184), of which R$2,043,000 (2010 - R$2,043,000) was transferred to the State upon its request and written off from the respective balance sheet accounts. The remaining balance, which makes up the aforementioned fund managed by Banrisul, is recorded in Other Payables - Financial and Development Funds (Note 13).

(b) Sureties and guarantees granted to customers amount to R$579,470 (2010 - R$538,738), and are subject to financial charges and backed by the beneficiaries' sureties.

(c) Banrisul is responsible for the custody of 453,124 thousand securities owned by customers (2010 - 430,441 thousand).

(d) Banrisul has co-obligations in import credits in the amount of R$78,540 (2010 - R$60,515).

(e) Banrisul manages various funds and portfolios, which have the following net assets:

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Investment funds (*)	5,110,767	5,368,942	5,110,767	5,385,461
Investment funds in investment fund quotas	117,161	114,167	117,161	255,614
Equity Funds	82,387		82,387	
Fund to Guarantee the Liquidity of Rio Grande do Sul State Debt Securities	646,966	980,891	646,966	980,891
Managed portfolios	1,270,736	483,982	1,281,204	499,148
Investment Clubs	-	-	3,699	855
Total	**7,228,017**	**6,947,982**	**7,242,184**	**7,121,969**

(*) *The investments fund portfolios consist primarily of fixed-rate and variable rate securities, and their carrying amounts already reflect mark-to-market adjustments at the balance sheet date.*

(f) Subsidiary Banrisul S.A. Administradora de Consórcios is responsible for the management of 126 buyers' pools (113 in September 2010), including real estate, motorcycles, vehicles and tractors, gathering 24,983 active pool members (21,180 in September 2010).

(g) Banrisul leases properties, mainly used for branches, based on standard contracts which may be cancelled as its own discretion and include the right to opt for renewal and adjustment clauses. Total future minimum payments under noncancellable lease agreements as of September 30, 2011 total R$157,309 , of which R$41,307 matures in up to one year, R$101,864 from one to five years and R$14,138 over five years. Lease payments recognized as expenses for the period from January to September 2011 amounted to R$39,777.

Note 22 - Income and Social Contribution Taxes

(a) Reconciliation of Income and Social Contribution Tax Expenses/Revenue

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Income for the Period before Taxes and Profit Sharing	**1,029,805**	**773,579**	**1,046,835**	**786,004**
Income Tax (IRPJ) - Rate 25%	(257,451)	(193,395)	(261,709)	(196,501)
Social Contribution Tax (CSLL) - Rate 9%	-	-	(1,274)	(956)
Social Contribution Tax - Rate 15%	(154,471)	(116,037)	(156,189)	(116,307)
Total Income and Social Contribution Taxes calculated at Effective Rate	**(411,922)**	**(309,432)**	**(419,172)**	**(313,764)**
Adjustment of Fine on Foreign Exchange Operations	(1,563)	(1,250)	(1,563)	(1,250)
Profit Sharing	16,228	13,400	16,228	13,400
Interest on Capital	69,029	61,048	69,029	61,048
Equity in Subsidiaries and Foreing Exchange Adjustment on Branches	17,857	8,192	6,593	(1,244)
Other Additions, Net of Exclusions	(1,184)	(653)	407	816
Total Income and Social Contribution Taxes	**(311,555)**	**(228,695)**	**(328,478)**	**(240,994)**
Current	(360,989)	(244,371)	(377,725)	(256,690)
Deferred	49,435	15,676	49,247	15,696

(b) Deferred income and social contribution taxes

In September 2011, Banrisul had deferred income and social contribution tax assets on temporary differences as follows:

(b1) Tax assets

Tax credit balances, by origin and disbursements made, are as follows:

	Banrisul			
	Balance on 31/12/2010	Recognition	Realization	Balance on 30/9/2011
Allowance for loan losses	452,612	150,863	102,678	500,797
Reserve for labor contingencies	44,758	29,433	29,126	45,065
Reserve for tax contingencies	76,892	6,179	93	82,978
Other temporary provisions	42,664	986	2,612	41,038
Total tax assets on temporary differences	**616,926**	**187,461**	**134,509**	**669,878**
Unrecorded tax assets	(23)	-	-	(23)
Total tax assets recorded	**616,903**	**187,461**	**134,509**	**669,855**
Deferred tax liabilities	(11,635)	(1,780)	-	(13,415)
Tax assets, net of deferred liabilities	**605,268**	**185,681**	**134,509**	**656,440**

	Banrisul Consolidated			
	Balance on 31/12/2010	Recognition	Realization	Balance on 30/9/2011
Allowance for loan losses	452,612	151,061	102,678	500,995
Reserve for labor contingencies	48,559	60,590	60,079	49,070
Reserve for tax contingencies	77,384	6,191	93	83,482
Other temporary provisions	42,706	1,054	2,614	41,146
Total tax assets on temporary differences	**621,261**	**218,896**	**165,464**	**674,693**
Unrecorded tax assets	(23)	-	-	(23)
Total tax assets recorded	**621,238**	**218,896**	**165,464**	**674,670**
Deferred tax liabilities	(11,636)	(1,780)	-	(13,416)
Tax assets, net of deferred liabilities	**609,602**	**217,116**	**165,464**	**661,254**

Expected realization of these tax assets is as follows:

	Temporary Differences			Banrisul	Banrisul Consolidated
Year	Income Tax	Social Contribution Tax	Total	Total Recorded	Total Recorded
2011	79,099	47,460	126,559	126,559	126,879
2012	106,404	63,842	170,246	170,246	170,687
2013	101,990	61,194	163,184	163,184	163,623
2014	70,579	42,347	112,926	112,926	113,366
2015	45,173	27,105	72,278	72,278	72,718
2016 to 2018	14,350	8,610	22,960	22,960	24,191
2019 to 2021	1,064	638	1,702	1,702	3,206
After 2021	14	9	23	-	-
Total at 9/30/2011	**418,673**	**251,205**	**669,878**	**669,855**	**674,670**
Total at 9/30/2010	**389,079**	**233,447**	**622,526**	**622,503**	**627,693**

The total present value of tax assets is R$561,184 , calculated based on the expected realization of temporary differences at average funding rate projected for the corresponding periods.

(b2) Deferred Tax Liabilities

The balance of the Deferred Taxes and Contributions is represented by:

	Banrisul		Banrisul Consolidated	
	2011	2010	2011	2010
Excess Depreciation	(13,407)	(10,954)	(13,407)	(10,954)
Available for Sale Securities	(8)	(8)	(8)	(8)
Adjustment to Fair Value of Trading Securities	-	-	(1)	-
Total	**(13,415)**	**(10,962)**	**(13,416)**	**(10,962)**

Note 23 - Fundação Banrisul de Seguridade Social and Cabergs - Caixa de Assistência dos Empregados do Banco do Estado do Rio Grande do Sul

Banrisul is the main sponsor of Fundação Banrisul de Seguridade Social (“Fundação Banrisul”), which is mainly engaged in supplementing the benefits covered and provided by the Social Security to the employees of Banrisul, Banrisul Serviços, and Cabergs, as well as in carrying out social security programs promoted by its sponsors.

On July 6, 2009, new retirement benefit plan Banrisulprev was approved and has been offered to non members of Benefit Plan I (see below for details) since then. This new variable contribution benefit plan became effective in November 2009. Following implementation of this new plan, new members are no longer allowed to join Benefit Plan I.
To attain its objectives, Fundação Banrisul receives monthly contributions from its sponsors and participants, which are calculated based on the monthly compensation of employees and their beneficiaries. Banrisul's contributions for the period amounted to R$9,511 (2010 - R$9,192), which, as of September 30, 2011, corresponds to 3.17% (2010 - 3.51%) of employees' monthly contribution salaries, and were recorded as operating expenses.

Benefit Plan I

This plan, incorporated as a defined benefit plan, encompass post-retirement benefits, salary payment during any sickness period of the participant, prisoner's family grant, funeral allowance and annual bonus.

The plan's participants monthly contribution is computed based on the following methodology:

a) 3% of the participant's monthly salary;
b) 2% of additional contribution, applicable to the difference, if any, of the participant's monthly salary in excess to 50% of the highest salary paid by the Federal Social Security; and
c) 7% of additional contribution, applicable to the difference, if any, of the participant's monthly salary in excess to the highest salary paid by the Federal Social Security.

As a result of a debt of the plan, recognized by Banrisul's in the past, which was subject to an specific agreement documenting the obligation, the Bank has a debt of R$ 63,961 as at September 30, 2011 (R$ 61,236 – 2010), recorded as "Other payables" (Note 13). In addition to this debt, Banrisul pays interest of 6% per year with final maturity in 2028, which is monthly adjusted based on the General Price Index - Domestic Availability (IGP-DI).

Banrisulprev

Banrisulprev provides variable contribution benefits with defined contribution characteristics, such as regular retirement, early retirement and funeral allowance, and benefits with defined benefit characteristics, such as disability retirement, proportional benefits, sick pays, annual bonus, minimum benefit and survivorship benefit.

The participant's regular contributions comprise three portions:

a) Basic portion: 1% of the contribution salary;
b) Additional portion: may vary from 1% to 7.5% of the contribution salary in excess of 9 reference units; and
c) Variable portion: percentage applied on the contribution salary annually established by the actuary to cover 50% of the costs of risk benefits and the plan's administrative expenses.

In addition to regular contributions, a participant may opt to make monthly contributions not lower than 1 reference unit and not matched by the sponsor. Banrisul's contributions match the participants' regular contributions.

Medical and dental care

Banrisul offers medical and dental care benefits to its active employees and Fundação Banrisul's retirees through Cabergs.
As of December 31, 2010, the actuarial appraisal of post-employment benefits related to defined benefits, Banrisulprev and health care granted to its employees was as follows:

	In Thousands of Reais			
	Benefit Plan I	Banrisulprev Plan	Medical and dental care	Total
Present obligation of actuarial obligations	(2,787,358)	(2,696)	(129,621)	(2,919,675)
Fair value of Fundação Banrisul's assets	2,636,530	1,977	110,322	2,748,829
Gains /Losses and cost of unrecognized services	508,241	672	28,707	537,620
Actuarial assets (liabilities)	**357,413**	**(47)**	**9,408**	**366,774**

The main actuarial assumptions used as December 31, 2010 are as follows:

- Discount rate: 10.77% p.a.;
- Expected return rate of pension plans' assets:
  - Defined benefit plan: 13.28% p.a.;
  - Variable contribution plan: 12.01% p.a.;
  - Medical and dental care: 10.69% p.a.;
- Future salary increase rate: 6.59% p.a.;
- Increase in medical costs: 7.64% p.a.;
- Inflation: 4.50% p.a.;
- Mortality table: AT - 2000.

Note 24 - Financial Instruments and Financial Risks Management

Risk management is an essential and strategic tool for Banrisul. Bank's inherent risks range from those identifiable through the operations conducted, such as market, liquidity and credit risks, to operating and reputational risk.
Banrisul seeks to align its activities with the standards set forth by the New Capital Accord - Basel II, by adopting the best market practices to maximize profitability and to ensure the best possible combination of investments in assets and use of required capital. The systematic improvement of risk policies, internal control systems and security standards aligned with Banrisul's strategic and market objectives are ongoing processes within this structure.

Credit risk: it is the possibility of Banrisul incurring losses related to the nonperformance of a loan or financial obligation by the counterparty under the agreed terms.
Banrisul's risk assessment structure is based on the principle of joint technical decision. Banrisul defines different credit limits corresponding to the decision levels, from the widespread branch network (with various categories) to the credit and risk committees at the Head Office. This process aims at expediting the concession of credit based on technically predefined limits, which establish Banrisul's risk exposure for each customer, in conformity with the risk/return ratio.
Management continue to increase the monitoring over credit risk, by use of statistical methodologies for assessing customers' risks, with the standardization of credit and business policies along with the optimization of the controls over registry information through a certification model, increased and strengthened risk assessments. The use of credit score and behavior score systems allowed establishing pre-approved credit limits to individuals according to the risk ratings described in the statistical models, conceptually considered more appealing when dealing with mass credit.
For customers from the corporate segment, Banrisul evaluates companies from the financial, management, market and production standpoint, with periodic reviews that also take into account current and future economic and competitive environments, bringing companies into these environments. The management of the credit risk exposure is based on a selective, conservative approach, pursuant the strategies set by Banrisul's management and technical areas.

(a) Credit Risk Assessment

Direct Lending and Onlendings by Financial Agents

Banrisul assesses the probability of default of each counterparty individually by using credit rating tools designed for different categories of counterparties. Such proprietary tools, which combine statistical analyses and the opinion of the credit area staff, are validated, when appropriate, by comparing external available data. The rating tools are reviewed and updated when necessary. Periodically, Management validates the rating performance and its ability to forecast default events.

Default exposure is based on the total amounts that may be owed to Banrisul at the time of default, e.g. in the case of a loan, it corresponds to the nominal value. Loan commitments include all amounts withdrawn in excess of the amount that may be withdrawn at the time of default, if any.

Default loss or loss extent represents Banrisul's expectation regarding the amount of the loss resulting from a dispute, should the default occur. This amount is expressed as a percentage of loss per unit of exposure and, typically varies in accordance with the category of the counterparty, the type and level of the suit and the availability of collaterals or other credit mitigation instruments.

(b) Risk Limit Control and Risk Mitigation Policies

Banrisul manages, credit risk concentrations whenever they are identified - particularly in relation to counterparties and groups.

Management manages assumed risk levels by setting limits to the extent of acceptable risk in relation to a specific borrower, or groups of borrowers and industry segments. These risks, and the related profile of each customer are continuously monitored and subject to annual or more frequent reviews when necessary. The limits on the level of credit risk by product and industry sector are approved by the Executive Board and by the Board of Directors, if applicable.

In the case of a counterparty, the exposure to any borrower, including financial agents, is additionally restricted by sublimits that cover exposures, whether recorded or not, in the financial statements. The actual exposures are monitored on a monthly basis in accordance with the established limits.

The credit risk exposure is also managed through the regular analysis of actual or potential borrowers, with respect to payments of principal and interest and change in limits when appropriate.

c) Credit Related Commitments

Credit related commitments represent unused portions of established limits by the counterparty, normally attributed to working capital, overdraft accounts, credit cards. They also refer to contracts whose funds will be released upon fulfillment of any specific contractual condition, pursuant to the construction schedule, such as in some real estate agreements.
The contractual amount represents the maximum credit risk for each transaction, the counterparty actually uses the fund available. However, the exposure to losses resulting from these contracts is lower than the total funds to be released, since normally part of these commitments expires without being entirely used, either by customer's decision or at Banrisul's discretion which adopts criteria for the availability of these funds, as set forth in certain contractual clauses.

Market risk: Banrisul is exposed to market risks inherent to its trading activities, through borrowings and loans / financing based on various types of indexes. Banrisul has an ongoing portfolio management process that encompasses the control over all positions exposed to market risks, according to business objectives and better performance achievement.
This process takes into consideration factors that could adversely affect and change assets and liabilities, including changes in interest and exchange rates, lack of liquidity in terms of a reduction on the capacity of receiving deposits and having customers moving to competitors in the local market, as well as other restrictions on lending and investing activities that may affect the fair value of products and carrying securities, as established by regulatory measures issued by monetary authorities.
The main component of market risk measurement includes an estimate of potential losses under adverse market conditions, for which the Value at Risk (VaR) methodology is used. VaR is a measure of the maximum expected loss on monetary values under normal market conditions, within a ten-day period of analysis, with a desired level of probability of 99% used to measure market risk exposures of portfolios.
Additionally, due to the limitation of the VaR methodology, scenario analyses and sensitivity and calibration measurements are performed, as well as stress tests are conducted on a quarterly basis, considering specific scenarios for each risk factor to determine Banrisul's financial soundness and its resilience in a potential crisis, All these procedures are aimed to protect Banrisul's equity and its operating results against such adverse conditions.

Sensitivity analysis: to enhance risk management and in compliance with CVM Rule 475 as of December 17, 2008, Banrisul conducted a sensitivity analysis of its trading portfolios. Stress tests are carried out for variations upward or downward on the following scenarios: 1% (Scenario 1), 25% (Scenario 2) and 50% (Scenario 3).

Trading Portfolio - to set the scenarios that compose the table of sensitivity analysis, Banrisul considered the situations set forth by CVM Rule 475, as follows:

Scenario 1: considered as a premise a shock of 1% in market risk variables (Trading Portfolio), taking into account prevailing conditions at 09/30/2011.

Scenario 2: considered as a premise a shock of 25% in market risk variables (Trading Portfolio), taking into account prevailing conditions at 09/30/2011.

Scenario 3: considered as a premise a shock of 50% in market risk variables (Trading Portfolio), taking into account prevailing conditions at 09/30/2011.

The following table shows the highest expected loss considering scenarios 1, 2 and 3 and their variations upward or downward as at September 30,2011.
For Foreign Exchange Risk, the rate of R$1.85/USD1.00 as of 09/30/2011 (PTAX - BACEN) was used.

Resulting Amounts from Sensitivity Test

Risk Factor	Scenario 1	Scenario 2	Scenario 3
Interest Rate	214	5,259	10,350
Exchange Rate	730	18,258	36,517
Equity	113	2,820	5,640
Total	**1,057**	**26,337**	**52,507**

Definitions:

Interest Rate - Exposures subject to variations in interest rates and fixed-coupon interest rates.
Exchange Rate - Exposures subject to currency fluctuations.
Equity - Exposures subject to the variation of stock prices.
The analysis of the output is expected to identify in the Foreign Currency risk factor the highest expected loss, which represents approximately 70% of the expected loss for the three scenarios above commented. From Scenario 1 to Scenario 2, an increase of 96% on the highest expected loss was observed given the total exposure to all risk factors. From Scenario 2 to Scenario 3, the variation is 50%. The highest expected loss in these sensitivity analysis scenarios occurs in Scenario 3 (50%), in the amount of R$ 52,507.

Liquidity risk: arises from the potential inability to refinance assets and to meet the required obligations on the respective maturity dates as well as from difficulties to settle positions in the portfolio without incurring significant losses. Banrisul's liquidity risk is managed by analyzing cash flows projections, based on different market scenarios. For assets positions, the growth of the credit portfolio and the settlement of financial instruments are taken into account. For liabilities, the assumptions adopted include the possibility of making early redemptions and also lower-than-expected funding rollover.

The Corporate Risk Unit, at the Headoffice, is responsible to manage on a consolidated basis Banrisul's liquidity risk, in order to monitor the availability of funds to meet Bank's financial needs from the point of view of funding and allocation, business and performance and business references, to avoid significant mismatches which could jeopardize the Bank's liquidity and budget planning. Management believes that Banrisul's controls are kept in a prudential way, calculated according to the rules of Resolution No. 2804/00 and Circular No. 3393/07 issued by the National Monetary Council that establish monitoring consistent with the positions assumed in financial markets, in order to emphasize the liquidity risk arising from such exposures. Daily Cash Flow, Portfolio Position Map, Maturity and Currency Mismatch Map and Duration Maps, among other reports, are prepared to assist management to better monitor these positions. This information is made available on a daily basis to the CFO and to the Market Risk Officer.

The Market and Liquidity Risk Report is prepared monthly, including the main events during the period to highlight the Bank's current guidelines and policies and to ensure compliance with exposure limits for market and liquidity risks, with the approval from the Banking Management and Economic Committees, the Executive Board and the Board of Directors.

Derivatives: Banrisul has not entered into "target forward swap" transactions or any other leveraged derivative that could bring losses, since its policies do not provide for non-hedging transactions for its assets and liability positions.

Sensitivity analysis: Banrisul has no derivatives transactions in its portfolio as of September 30, 2011, therefore the sensitivity analysis table is not disclosed herein.

(d) Basel Ratio

The Basel Ratio represents the ratio between the Shareholders' Equity - Reference Equity (PR) and the risk weighted assets - Required Reference Equity - PRE, computed based on the provisions of the current legislation, demonstrating the Bank's solvency. The minimum percentage established by National Monetary Council - CMN - is 11%. CMN also determines that the minimum value of the Reference Equity must be equal to the sum of credit, market and operating risk amounts. The Bank is in compliance with that operational limit as of September 30, 2011:

	Banrisul Consolidated
	2011
Reference Equity Level I	**4,297,659**
Shareholders' Equity	4,118,724
Receivable Income Accounts	1,959,389
Payable Income Accounts	1,778,386
Deferred Permanent Assets	10,124
Adjustment to Fair Value - Securities and Derivatives	
Dividends and Bonuses	(8,056)
Reference Equity Level II	**(8,056)**
Adjustment to Fair Value - Securities and Derivatives	
Reference Equity (PR)	(8,056)
Required Reference Equity (PRE)	**4,289,603**
Amount related to:	**2,965,833**
Credit Risks (PEPR)	
Market Risks (PJUR)	2,347,349
Share Prices Risks (PACS)	196,471
Operating Riss (POPR)	1,805
	420,208
Portion of Trading Porfolio Risks (RBAN)	**379,385**
Margin Value or insufficiency (PR-PRE-RBAN)	**944,385**
Basel Ratio (Risk Agent/PRE)	15.91%
Permanent Assets Ratio	4.27%
Permanent Assets Margin	1,961,376

Note 25 - Transactions With Related Parties

Banrisul's commercial relations with the Rio Grande do Sul State Government and its subsidiaries, Companhia Estadual de Energia Elétrica (CEEE), Companhia Rio-Grandense de Saneamento (CORSAN), Companhia de Gás do Rio Grande do Sul (SULGÁS), Centrais de Abastecimento do Rio Grande do Sul S.A. (CEASA), Companhia Estadual de Silos e Armazéns (CESA), Companhia Rio-Grandense de Artes Gráficas (CORAG), Companhia Rio-Grandense de Mineração (CRM), Companhia de Indústrias Eletroquímicas - CIEL, Companhia de Processamento de Dados do Estado do Rio Grande do Sul (PROCERGS) and Caixa Estadual S.A. - Agência de Fomento/RS are described below:

Rio Grande do Sul State Government

On June 29, 2007, Cooperation Agreement no. 1959/2007 was entered into by Banrisul and Rio Grande do Sul State Government, under which Banrisul will provide to the Government, on an exclusive basis and for a five-year period, banking services related to the payment of active and inactive servants, lifetime and special pensioners of the Executive Branch (Direct Administration), and pension plan pensioners (Social Security of the Rio Grande do Sul State - IPERGS) and the Government maintains Banrisul's right to offer payroll loans. In view of the reciprocity of services provided, under this Agreement Banrisul releases the Rio Grande do Sul State Government from costs related to the provision of banking services, such as the collection of revenue and state taxes, debt to bank account, FGTS (severance pay fund) statement and mortgage loan collection services. Banrisul also provides services related to the financial transfers made by the government departments of amounts related to social programs and updates information related to inactive servants and holders of special or lifetime pension plans of the Direct Administration. The Bank does not receive any compensation for these services.

Banrisul also pays the suppliers of the Public Finance System and processes changes related to the Cash Management Integrated System (SIAC), which is responsible for centralizing in one bank account the cash and cash equivalents of the Direct and Indirect State Administration and its subsidiaries. The Bank does not receive any compensation for these services.

Banrisul provides other services to foundations and government agencies, such as payment services through payment forms and the supply of meal and fuel vouchers. For the period ended in September 30, 2011, these services generated fees in the amount of R$10,619 . Banrisul offers a solution for the management of e-commerce through the Online Auction Portal (*Portal de Compras Pregão On Line)*. The Bank does not receive any compensation for these services.

Banrisul purchased FCVS credit rights, as described in note 06. At September 30, 2011, these credits are stated at acquisition cost plus income earned to the balance sheet date, in the amount of R$629,456 . These credit rights were originally purchased at a discount and simultaneously hedged through an exchange rate swap contract to the Selic index variation. On December 7, 2010, in order to simplify the structure of such transaction and the cash flows generated at the settlement dates, the parties amended the contract, as defined in note 05. The changes did not affect Banrisul's net income for the year.

For the nine-month period ended September 30, 2011, Banrisul's lease agreements on the State Government's properties generated expenses in the amount of R$751.

Also, Banrisul has an employee assignment agreement with the State Government whereby the latter assigned 9 employees from the dissolved Caixa Econômica Estadual to Banrisul and received 7 employees to work in Government departments and foundations. These employee-related costs are refunded by the departments and foundations of State Government.

Companhia Estadual de Energia Elétrica (CEEE)

Banrisul is responsible for the provision of payroll banking services, including payroll loan operations. Banrisul is also responsible for collecting payments of electricity bills issued by CEEE and for the supply of meal and fuel vouchers, which represented service revenue in the amount of R$4,453 for the nine-month period ended September 30, 2011. Banrisul offers an e-commerce management solution through the Pregão On Line portal. The Bank does not receive any compensation for these services.

Companhia Riograndense de Saneamento (CORSAN)

Banrisul is responsible for the provision of payroll banking services. Banrisul is also responsible for collecting payments of bills issued by Corsan and for the supply of fuel vouchers, which represented service revenue in the amount of R$5,054 for the nine-month period ended September 30, 2011. Banrisul offers an e-commerce management solution through the Pregão On Line portal. The Bank does not receive any compensation for these services.

Banrisul serves as a go between in the implementation of the financial flow expected from the agreements entered into by this company and the National Bank for Economic and Social Development (BNDES). There are no guarantees pledged and/or compensation related to these operations.

SULGÁS, CEASA, CESA, CIEL, CORAG, CRM and PROCERGS

Banrisul is responsible for the provision of payroll banking services and has payroll loan agreements with SULGÁS, CEASA and CESA. Banrisul is also responsible for services related to e-payment issued by these companies and the supply of meal and fuel vouchers, which represented service revenue in the amount of R$138 for the nine-month period ended September 30, 2011. Banrisul offers an e-commerce management solution through the Pregão On Line portal. The Bank does not receive any compensation for these services.
SULGÁS has investments whose yield is indexed to the CDI variation. Banrisul serves as a go between in the implementation of the financial flow expected from the agreements entered into by this company and the National Bank for Economic and Social Development (BNDES). There are no guarantees pledged and/or compensation related to these operations.

Caixa Estadual S.A. - Agência de Fomento/RS

Banrisul is responsible for the provision of payroll banking services, including payroll loan operations. Banrisul is also responsible for e-payment services and the supply of meal and fuel vouchers, which represented service revenue in the amount of R$27 for the nine-month period ended September 30, 2011. Banrisul offers an e-commerce management solution through the Pregão On Line portal. Banrisul and Caixa Estadual have an employee assignment agreement, whereby the former assigned 7 to the latter. These employee-related costs are refunded by the Caixa Estadual.

Banco Regional de Desenvolvimento do Extremo Sul (BRDE)

Banrisul is responsible for the provision of payroll banking services, including payroll loan operations to employees allocated in the Rio Grande do Sul State, and is responsible for e-payment services.

Fundação Banrisul de Seguridade Social

As described in Note 23, Banrisul's remaining portion of the contracted debt related to this plan amounts to R$63,961 . In addition to this debt, Banrisul pays interest of 6% per year with final maturity in 2028, which is monthly adjusted based on the General Price Index - Domestic Availability (IGP-DI).

In order to supplement the benefits ensured and provided by the Social Security to its employees, Banrisul's contributions to Fundação Banrisul for the nine-month period ended September, 30 2011 amounted to R$9,511 as described in Note 23.
Banrisul is responsible for the provision of payroll banking services as well as the payment of retirement and pension benefits to Fundação Banrisul's beneficiaries. Fundação Banrisul also has an exclusive investment fund managed by Banrisul, which represented service revenue in the amount of R$222 for the nine-month period ended September 30, 2011. Investments made by Fundação Banrisul at Banrisul earn yield at rates indexed to the CDI variation.
For the nine-month period ended September 30, 2011, Banrisul's lease agreements on the Fundação Banrisul's properties generated expenses in the amount of R$4,050.

Cabergs - Caixa de Assistência dos Empregados do Banco do Estado do Rio Grande do Sul

Banrisul provides medical and dental care benefits to its employees and Fundação Banrisul's retirees, which generated expenses of R$16,551 for the nine-month period ended September 30, 2011.
Banrisul is responsible for providing banking services related to the payment of staff and suppliers. Cabergs also has an exclusive investment fund managed by Banrisul, which represented service revenue in the amount of R$74 for the nine-month period ended September 30, 2011. Investments made by Cabergs at Banrisul earn yields at rates indexed to the CDI variation.
Banrisul offers an e-commerce management solution through the Pregão On Line portal, and this service is not paid.
All interest-bearing transactions were carried out on an arm's length basis at rates prevailing on the transaction dates.

Transactions with parent companies and subsidiaries are as follows:

				Banrisul
	Assets (Liabilities)		Income (Expense)	
	2011	2010	2011	2010
Derivatives	**-**	**103,135**	**-**	**(1,095)**
State of Rio Grande do Sul Government	-	103,135	-	(1,095)
Collection Services	**5,072**	**5,072**	**-**	**-**
State of Rio Grande do Sul Government	5,072	5,072	-	-
Other Credits	**16,850**	**14,912**	**6,603**	**4,138**
State of Rio Grande do Sul Government	14,028	12,483	-	-
Subsidiaries	2,822	2,429	6,603	4,138
Demand Deposits	**(83,589)**	**(163,573)**	**-**	**-**
State of Rio Grande do Sul Government	(75,764)	(130,536)	-	-
Subsidiaries of State of Rio Grande do Sul Government	(5,319)	(27,694)	-	-
Subsidiaries	(2,506)	(5,343)	-	-
Time Deposits	**(264,127)**	**(223,660)**	**(10,642)**	**(8,330)**
Subsidiaries	(264,127)	(223,660)	(10,642)	(8,330)
Money Market Funding	**(715,434)**	**(1,045,614)**	**(80,044)**	**(90,774)**
State of Rio Grande do Sul Government (*)	(646,966)	(980,891)	(74,319)	(86,484)
Subsidiaries	(68,468)	(64,723)	(5,725)	(4,290)
Other Payables	**(116,154)**	**(80,467)**	**(10,413)**	**(10,121)**
State of Rio Grande do Sul Government	(43,571)	(11,576)	(751)	(851)
Banrisul foundation	(64,414)	(61,681)	(8,465)	(8,071)
Subsidiaries	(8,169)	(7,210)	(1,197)	(1,199)
Total	**(1,157,382)**	**(1,390,195)**	**(94,496)**	**(106,182)**

(*) *These funds receive 100% of the Selic rate.*

	Banrisul Consolidated			
	Assets (Liabilities)		Income (Expense)	
	2011	2010	2011	2010
Cash	**19,228**	**17,988**	**1,569**	**1,247**
State of Rio Grande do Sul Government	19,228	17,988	1,569	1,247
Derivatives	**-**	**103,135**	**-**	**(1,095)**
State of Rio Grande do Sul Government	-	103,135	-	(1,095)
Collection Services	**5,072**	**5,072**	**-**	**-**
State of Rio Grande do Sul Government	5,072	5,072	-	-
Other Credits	**19,177**	**18,605**	**770**	**607**
State of Rio Grande do Sul Government	19,177	18,605	770	607
Demand Deposits	**(81,083)**	**(158,230)**	**-**	**-**
State of Rio Grande do Sul Government	(75,764)	(130,536)	-	-
Subsidiaries of State State of Rio Grande do Sul Government	(5,319)	(27,694)	-	-
Money Market Funding	**(646,966)**	**(980,891)**	**(74,319)**	**(86,484)**
State of Rio Grande do Sul Government (*)	(646,966)	(980,891)	(74,319)	(86,484)
Other Payables	**(107,985)**	**(73,257)**	**(9,216)**	**(8,922)**
State of Rio Grande do Sul Government	(43,571)	(11,576)	(751)	(851)
Banrisul Foundation	(64,414)	(61,681)	(8,465)	(8,071)
Total	**(792,557)**	**(1,067,578)**	**(81,196)**	**(94,647)**

(*) *These funds receive 100% of the Selic rate.*

Compensation of key management personnel

Annually, the General Shareholders' Meeting resolves on:

a) The total annual compensation of the members of the Executive Board, the Board of Directors, the Supervisory Board and the Audit Committee, as stated in the Company's Bylaws; and

b) The allowance to cover Supplementary Pension Plans Additional on behalf of the Executive Board, included in the Private Pension Plan for Banrisul and its subsidiaries' management and employees.

In 2011, the fixed maximum annual amount of R$403 was defined as compensation and bonuses payable to individual members of the Executive Board, the Board of Directors, the Supervisory Board and the Audit Committee.

For the nine-month period ended September 30, 2011, management compensation is as follows:

Short Term Benefits paid to Senior Management	2011	2010
Salaries	2,381	2,727
Bonuses	3	3
Social Security	537	635
Total	**2,921**	**3,365**

Banrisul pays in full defined benefit pension plans to its officers. For the nine-month period ended September 30, 2011, contributions to Fundação Banrisul de Seguridade Social (Banrisul Social Security Foundation) are summarized as follows:

Post-Employment Benefits	2011	2010
Defined Contribution Pension Plan	13	15

Banrisul has a D&O liability insurance policy for its officers and members of the Boards, and paid insurance premium in the amount of R$298.
Banrisul does not offer its key management personnel any long-term, termination or stock-based compensation benefits.

Additional information

(1) According to existing legislation, financial institutions may not grant loans or advances to:

a) Officers, directors or members of the advisory, supervisory or similar boards, as well as their spouses and relatives up to the 2nd degree of kinship;

b) Individuals or legal entities holding equity interest equal to or more than 10%; and

c) Legal entities having more than 10% of capital held by the financial institution itself, any of its directors or officers as well as their spouses and relatives up to the 2nd degree of kinship.

Thus, Banrisul does not grant any loans or advances to any subsidiary, members of the Board or the Executive Board and their relatives.

(2) Shareholding:

As of September 30, 2011, members of the Executive Board, the Board of Directors, the Supervisory Board and the Audit Committee jointly hold Banrisul's shares as follows:

SHARES	AMOUNT
Common Shares	9
Preferred Shares	128
TOTAL SHARES	**137**

Note 26 - Impact From the Adoption of the International Financial Reporting Standards (IFRS)

During the IFRS convergence process, some standards and their interpretations were issued by the Brazilian FASB (CPC), which will be applicable to financial institutions only when approved by the National Monetary Committee (CMN). Currently, financial institutions and other institutions regulated by the Central Bank must adopt the following pronouncements:

- Impairment of Assets (CPC 01);
- Statement of Cash Flows (CPC 03);
- Related Party Disclosures (CPC 05);
- Subsequent Events (CPC 24) and
- Provisions, Contingent Liabilities and Contingent Assets (CPC 25).

CMN Resolution no. 3786/09 and Official Letters no. 3472/09 and no. 3516/10, issued by the Central Bank of Brazil (Bacen), established that financial institutions and other institutions authorized to operate by Bacen, either incorporated as a public company or required to establish an Audit Committee, must, as of December 31, 2010, annually prepare and disclose in a period not exceeding 120 days after the December 31 reporting date, their consolidated financial statements prepared in accordance with the international financial reporting standards (IFRS), and following international pronouncements issued by the IASB - International Accounting Standards Board.

The financial statements for the year ended December 31, 2010, prepared in accordance with IFRS was disclosed by Banrisul on May 2, 2011, on its website www.banrisul.com.br/ir as well as on the website of the Brazilian Securities Exchange Commission (Comissão de Valores Mobiliários - CVM -, www.cvm.gov.br). Management believes that the reconciliation between net income and shareholders' equity as of September 30, 2011 is consistent with the amounts presented in the reconciliation as of December 31, 2010.

Note 27 - Authorization for Completion of the Financial Statements

Banrisul's Executive Board authorized the completion of these financial statements on October 31, 2011, which consider events subsequent to that date that might affect these financial statements.

Board of Directors

Odir Alberto Pinheiro Tonollier
Chairman

Túlio Luiz Zamin
Vice Chairman

Aldo Pinto da Silva
Estilac Martins Rodrigues Xavier
Erineu Clóvis Xavier
Flavio Luiz Lammel
Olívio de Oliveira Dutra
Board Members

Executive Board

Túlio Luiz Zamin

CEO

Flávio Luiz Lammel
Vice-President

Guilherme Cassel
Ivandre de Jesus Medeiros
João Emilio Gazzana
Joel Raymundo dos Santos
Jose Luiz Hermes Pfeiff
Julimar Roberto Garcia Rotta
Luiz Carlos Morlin

Officers

Werner Köhler
Accountant CRCRS 38.534

Annual Financial Statements

Banco do Estado do Rio Grande do Sul S.A.

Year ended December 31, 2010
with Independent Auditor's Report

Independent Auditors´ Report

To the Management and Shareholders of
Banco do Estado do Rio Grande do Sul S.A.
Porto Alegre, RS

We have audited the accompanying individual and consolidated financial statements of Banco do Estado do Rio Grande do Sul S.A. (the "Bank"), comprising the balance sheet as of December 31, 2010, and the related statements of income, changes in shareholders' equity, and cash flows for the six-month period and year then ended, and a summary of significant accounting practices and other notes to the financial statements.

Management's responsibility for the individual and consolidated financial statements - The Bank's management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with Brazilian accounting practices applicable to the financial institutions authorized to operate by the Central Bank of Brazil - BACEN and for such internal control as Management determines is necessary to enable the preparation of individual and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility - Our responsibility is to express an opinion on these individual and consolidated financial statements based on our audit, which was conducted in accordance with Brazilian and international auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the individual and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion - In our opinion, the financial statements referred to in paragraph 1 give a true and fair view of, in all material respects, the individual and consolidated financial position of Banco do Estado do Rio Grande do Sul S.A as of December 31, 2010, and the financial performance and its cash flows for the six-month period and year then ended, in conformity with Brazilian accounting practices applicable to the financial institutions authorized to operate by the Central Bank of Brazil.

Statement of Value Added - We have also audited the statements of value added (individual and consolidated) for the six-month period and year ended December 31, 2010, whose presentation by publicly-held companies is required by Brazilian corporate law. These statements have been subjected to the same auditing procedures referred to above and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Porto Alegre, February 7, 2011

Deloitte.

Deloitte Touche Tohmatsu
Auditores Independentes
CRC nº. 2 SP 011.609/O-8/F/RS
Fernando Carrasco
Contador
CRC nº. 1 SP 157.760/T/RS

Balance Sheet

Balance Sheet as of December 31, 2010 and 2009
(In Thousands of Reais)

ASSETS	Banrisul 2010	Banrisul 2009	Banrisul Consolidated 2010	Banrisul Consolidated 2009
CURRENT	**17,791,207**	**17,416,546**	**17,866,613**	**17,484,583**
CASH	403,281	411,158	403,321	411,220
INTERBANK INVESTMENTS (Note 04)	2,340,989	5,336,677	2,359,329	5,356,542
Money Market Investments	2,224,333	5,207,226	2,242,673	5,227,091
Interbank Deposits	116,656	129,451	116,656	129,451
SECURITIES AND DERIVATIVES (Note 05)	4,018,642	3,194,674	4,030,936	3,198,936
Own Portfolio	2,636,520	1,821,121	2,648,808	1,825,378
Linked to Repurchase Commitments	1,379,873	1,096,768	1,379,873	1,096,768
Derivatives	-	15,981	-	15,981
Linked to Central Bank of Brazil	-	194,497	-	194,497
Linked to Guarantees	2,249	66,307	2,249	66,307
Privatization Certificates	-	-	6	5
INTERBANK ACCOUNTS	2,470,329	1,380,802	2,470,329	1,380,802
Payments and Receipts Pending Settlement	3,446	3,231	3,446	3,231
Restricted Deposits (Note 06)				
Central Bank of Brazil	2,437,243	1,349,540	2,437,243	1,349,540
Correspondents	29,640	28,031	29,640	28,031
INTERBRANCH ACCOUNTS	80,994	35,070	80,994	35,070
Third-party Funds in transit	1,030	833	1,030	833
Internal Transfers of Funds	79,964	34,237	79,964	34,237
LENDING OPERATIONS (Note 07)	7,334,317	6,084,542	7,334,317	6,084,542
Lending Operations				
Public Sector	33,860	36,075	33,860	36,075
Private Sector	7,707,539	6,466,547	7,707,539	6,466,547
Allowance for Loan Losses	(407,082)	(418,080)	(407,082)	(418,080)
LEASE OPERATIONS (Note 07)	37,065	46,117	37,065	46,117
Lease Receivables				
Public Sector	707	817	707	817
Private Sector	39,967	46,866	39,967	46,866
Allowance for Doubtful Lease Receivables(3,609)	(1,566)	(3,609)	(1,566)	
OTHER RECEIVABLES (Note 08)	1,084,641	904,559	1,129,070	948,170
Foreign Exchange Portfolio	390,141	448,898	390,141	448,898
Income Receivable	42,248	35,544	36,388	30,833
Trading Accounts	-	-	4,951	4,615
Specific Credits	-	-	8	21
Other	678,502	461,884	724,393	505,986
Allowance for Losses on Other Receivables	(26,250)	(41,767)	(26,811)	(42,183)
OTHER ASSETS	20,949	22,947	21,252	23,184
Temporary Investiments	-	232	-	232
Other Assets	1,746	5,243	1,890	5,389
Allowance for Valuation	-	(590)	-	(590)
Prepaid Expenses	19,203	18,062	19,362	18,153

ASSETS (cont´d)	Banrisul 2010	Banrisul 2009	Banrisul Consolidated 2010	Banrisul Consolidated 2009
LONG-TERM ASSETS	**13,897,475**	**11,221,775**	**13,913,186**	**11,241,609**
SECURITIES AND DERIVATIVES (Note 05)	4,491,788	4,206,831	4,494,810	4,209,585
Own Portfolio	3,831,970	2,555,047	3,831,970	2,555,047
Linked to Repurchase Commitments	-	972,732	-	972,732
Derivatives	-	135,238	-	135,238
Linked to Central Bank of Brazil	593,424	345,311	593,424	345,311
Linked to Guarantees	66,394	198,503	69,416	201,257
INTERBANK ACCOUNTS	604,552	440,898	604,552	440,898
Restricted Deposits (Note 06)				
National Housing System	604,552	440,898	604,552	440,898
LENDING OPERATIONS (Note 07)	8,144,575	5,782,477	8,144,575	5,782,477
Lending Operations				
Public Sector	89,423	82,146	89,423	82,146
Private Sector	8,706,793	6,248,460	8,706,793	6,248,460
Allowance for Loan Losses	(651,641)	(548,129)	(651,641)	(548,129)
LENDING OPERATIONS (Note 07)	37,646	43,027	37,646	43,027
Lease Receivables				
Public Sector	2,091	2,442	2,091	2,442
Private Sector	40,860	47,768	40,860	47,768
Allowance for Losses on Other Receivables	(5,305)	(7,183)	(5,305)	(7,183)
OTHER RECEIVABLES (Note 08)	610,294	725,869	622,983	742,949
Foreing Exchange Portfolio	8,084	28	8,084	28
Other	649,337	805,768	662,026	822,848
Allowance for Losses on Other Receivables	(47,127)	(79,927)	(47,127)	(79,927)
OTHER ASSETS	8,620	22,673	8,620	22,673
Other Assets	17,889	20,777	17,889	20,777
Allowance for Valuation	(10,072)	(8,604)	(10,072)	(8,604)
Prepaid Expenses	803	10,500	803	10,500
PERMANENT ASSETS	**661,037**	**645,254**	**347,854**	**357,945**
INVESTIMENTS	328,978	299,800	7,660	7,758
Investments in Domestic Subsidiaries				
(Note 02 (c))	322,172	292,895	-	-
Other Investiments	11,599	11,888	12,926	13,214
Allowance for Losses	(4,793)	(4,983)	(5,266)	(5,456)
PROPERTY AND EQUIPMENT IN USE (Note09 (a))	161,815	165,708	168,923	170,058
Real Estate	120,361	119,969	130,623	127,012
Other	469,105	433,551	474,380	438,659
Depreciação Acumulada	(427,651)	(387,812)	(436,080)	(395,613)
INTANGIBLE (Note 09 (b))	170,244	179,746	171,271	180,129
Intangible Assets	361,221	311,289	362,248	311,672
Accumulated Amortization	(190,977)	(131,543)	(190,977)	(131,543)
TOTAL ASSETS	**32,349,719**	**29,283,575**	**32,127,653**	**29,084,137**

LIABILITIES AND SHAREHOLDERS' EQUITY	Banrisul 2010	Banrisul 2009	Banrisul Consolidated 2010	Banrisul Consolidated 2009
CURRENT	**23,732,482**	**21,420,147**	**23,508,247**	**21,218,591**
DEPOSITS (Note 10)	15,837,402	13,261,369	15,600,626	13,072,695
Demand Deposits	3,783,239	2,107,702	3,779,936	2,100,614
Saving Deposits	5,579,974	5,636,799	5,579,974	5,636,799
Interbank Deposits	12,310	89,968	12,310	89,968
Time Deposits	6,461,408	5,415,309	6,227,935	5,233,698
Other Deposits	471	11,591	471	11,616
MONEY MARKET FUNDING (Note 10)	1,380,046	2,069,893	1,311,160	2,006,497
Own Portfolio	1,380,046	2,069,893	1,311,160	2,006,497
INTERBANK ACCOUNTS	9,798	10,739	9,798	10,739
Receipt and Payment Pending Settlement	9,783	10,737	9,783	10,737
Correspondents	15	2	15	2
INTERBRANCH ACCOUNT	169,862	149,932	169,862	149,932
Third-party Funds in Transit	169,796	149,901	169,796	149,901
Internal Transfers of Funds	66	31	66	31
BORROWINGS (Note 11)	537,171	503,167	537,171	503,167
Domestic Borrowings - Other Institutions	-	60,307	-	60,307
Foreign Borrowings	537,171	442,860	537,171	442,860
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (Note 12)	309,842	369,832	309,842	369,832
Nacional Treasury	60,145	51,632	60,145	51,632
National Economic and Social Development Bank (BNDES)	134,930	212,574	134,930	212,574
Federal Savings and Loan Bank (CEF)	5,652	9,795	5,652	9,795
National Equipment Financing Authority (FINAME)	109,115	95,831	109,115	95,831
FOREING ONLENDINGS (Note 12)	19,410	35,768	19,410	35,768
Foreign Onlendings	19,410	35,768	19,410	35,768
DERIVATIVES (Note 05 (d))	-	14,515	-	14,515
Derivatives	-	14,515	-	14,515
OTHER PAYABLES (Note 13)	5,468,951	5,004,932	5,550,378	5,055,446
Collected Taxes and Other	23,601	28,445	23,601	28,445
Foreign Exchanges Portfolio	18,784	24,134	18,784	24,134
Social and Statutory	27,779	33,315	27,868	33,387
Tax and Social Security	231,468	131,302	241,387	137,210
Trading Account and Intermediation	-	-	2,053	4,223
Financial and Development Funds	4,444,611	4,139,986	4,444,611	4,139,986
Other	722,708	647,750	792,074	688,061

	Banrisul		Banrisul Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY (cont´d)	2010	2009	2010	2009
LONG-TERM LIABILITIES	**4,761,998**	**4,454,966**	**4,762,488**	**4,455,429**
DEPOSITS (Note 10)	3,452,379	3,297,050	3,452,379	3,297,050
Time Deposits	3,452,379	3,297,050	3,452,379	3,297,050
BORROWINGS	2,532	-	2,532	-
Foreign Borrowings (Note 11)	2,532	-	2,532	-
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (Note 12)	747,661	572,913	747,661	572,913
Nacional Treasury	10,140	12,303	10,140	12,303
National Economic and Social Development Bank (BNDES)	485,696	423,633	485,696	423,633
Federal Savings and Loan Bank (CEF)	34,309	21,732	34,309	21,732
National Equipment Financing Authority (FINAME)	217,516	115,245	217,516	115,245
FOREING ONLENDINGS (Note 12)	5,823	-	5,823	-
Foreign Onlendings	5,823	-	5,823	-
DERIVATIVES (Note 5 (d))	-	32,457	-	32,457
Derivatives	-	32,457	-	32,457
OTHER PAYABLES (Note 13)	553,603	552,546	554,093	553,009
Tax and Social Security	393,470	386,006	393,470	386,006
Other	160,133	166,540	160,623	167,003
MINORITY INTEREST	-	-	**1,679**	**1,655**
SHAREHOLDERS' EQUITY (Note 20)	**3,855,239**	**3,408,462**	**3,855,239**	**3,408,462**
Capital	2,900,000	2,600,000	2,900,000	2,600,000
Capital Reserves	4,511	6,171	4,511	6,171
Profit Reserves	956,177	808,138	956,177	808,138
Assets valuation adjustment (Note 05 (b))	(5,449)	(5,847)	(5,449)	(5,847)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32,349,719**	**29,283,575**	**32,127,653**	**29,084,137**

Statement of Income

December 31, 2010 and 2009
(In Thousands of Reais)

		Banrisul		Banrisul Consolidated	
	2nd Half/2010	2010	2009	2010	2009
FINANCIAL INCOME	**2,598,285**	**4,826,391**	**4,253,397**	**4,841,827**	**4,262,620**
Lending Operations	1,887,869	3,497,519	2,857,229	3,497,519	2,857,233
Lease Operations	6,592	15,407	19,651	15,407	19,651
Securities	579,783	1,066,519	1,104,201	1,081,955	1,113,347
Derivatives	1,339	-	23,945	-	24,018
Foreign Exchange	19,020	54,544	71,778	54,544	71,778
Compulsory Investments	103,682	192,402	176,593	192,402	176,593
FINANCIAL EXPENSES	**1,300,847**	**2,462,719**	**2,158,204**	**2,445,485**	**2,142,893**
Funding Operations	778,478	1,420,131	1,350,596	1,402,666	1,334,526
Borrowings, Assignments and Onlendings	284,732	523,158	385,728	523,158	385,728
Derivatives	-	1,321	-	1,339	-
Allowance for Loan Losses (Note 07 (d))	237,637	518,109	421,880	518,322	422,639
GROSS PROFIT FROM FINANCIAL OPERATIONS	**1,297,438**	**2,363,672**	**2,095,193**	**2,396,342**	**2,119,727**
OTHER OPERATING INCOME (EXPENSES)	**(620,593)**	**(1,235,462)**	**(1,257,431)**	**(1,248,518)**	**(1,266,460)**
Income from Services Rendered (Note 15)	52,438	100,619	93,929	151,181	137,463
Bank Fees Income (Note 16)	255,321	490,491	441,881	490,480	441,878
Equity in Subsidiaries (Note 02 (c))	23,780	36,338	24,025	-	-
Personnel Expenses	(518,392)	(956,651)	(894,158)	(966,492)	(901,002)
Other Administratives Expenses (Note 17)	(341,807)	(731,590)	(669,845)	(743,226)	(678,885)
Tax Expenses	(102,258)	(196,657)	(176,001)	(203,998)	(181,984)
Other Operating Income (Note 18)	120,022	206,201	144,221	208,903	143,711
Other Operating Expenses (Note 19)	(109,697)	(184,213)	(221,483)	(185,366)	(227,641)
INCOME FROM OPERATIONS	**676,845**	**1,128,210**	**837,762**	**1,147,824**	**853,267**
INCOME BEFORE TAXES ON INCOME AND EMPLOYEE PROFIT SHARING	**676,845**	**1,128,210**	**837,762**	**1,147,824**	**853,267**
INCOME TAX AND SOCIAL CONTRIBUTION (Note 22 (a))	**(213,736)**	**(337,696)**	**(252,290)**	**(357,056)**	**(267,597)**
EMPLOYEE PROFIT SHARING	**(26,866)**	**(49,272)**	**(44,376)**	**(49,304)**	**(44,403)**
MINORITY INTEREST	**-**	**-**	**-**	**(222)**	**(171)**
NET INCOME	**436,243**	**741,242**	**541,096**	**741,242**	**541,096**
Number of Outstanding Shares (Thousands)	408,974	408,974	408,974	-	-
Earning per Thousand Shares (R$)	1,066,68	1,812,44	1,323,06	-	-

Cash Flow

December 31, 2010 and 2009
(In Thousands of Reais)

			Banrisul	Banrisul Consolidated	
	2nd Half/2010	2010	2009	2010	2009
Adjustes to Net Income	773,975	1,431,685	1,117,816	1,462,775	1,143,227
Net Income	436,243	741,242	541,096	741,242	541,096
Adjustment to Net Income					
Depreciation and Amortization	56,101	109,004	92,943	109,728	93,779
Equity in Subsidiaries	(23,780)	(36,338)	(24,025)	-	-
Dividends Received Fron Subsidiaires	4,398	4,398	4,945	-	-
Provision for Loan Losses	237,637	518,109	421,880	518,322	422,639
Reserve for Securitization Losses	258	(2,522)	(4,679)	(2,522)	(4,679)
Reserve for Contingencies	64,106	114,456	89,027	111,467	93,718
Deferred Income Tax and Social Contribution	(988)	(16,664)	(3,371)	(15,462)	(3,326)
Changes in Assets and Liabilities	(2,396,877)	(4,060,347)	(211,469)	(4,087,367)	(233,578)
Valuation adjustment to Equity	873	398	3,660	398	3,660
(Increase) Decrease in Interbank Deposits	(105,201)	9,389	(114,590)	9,389	(114,590)
(Increase) Decrease in Securities	(577,723)	(1,260,144)	(1,258,201)	(1,268,444)	(1,256,414)
(Increase) Decrease in Derivatives	(1,339)	1,339	(30,230)	1,339	(30,230)
(Increase) Decrease in Interbank and Interbranch Accounts	(973,829)	(1,177,208)	(53,151)	(1,177,208)	(53,151)
(Increase) Decrease in Lending Operations	(1,857,717)	(4,113,084)	(2,306,124)	(4,113,084)	(2,306,125)
(Increase) Decrease in Lease Operations	2,584	11,727	9,893	11,727	9,893
(Increase) Decrease in Other Receivables	72,847	(58,660)	117,004	(57,681)	108,296
(Increase) Decrease in Other Assets	5,268	16,051	(22,133)	15,985	(22,148)
Increase (Decrease) in Deposits	1,952,545	2,731,362	2,132,641	2,683,260	2,113,662
Increase (Decrease) in Money Market Funding	(756,016)	(689,847)	(220,327)	(695,337)	(227,754)
Increase (Decrease) in Borrowing	(32,695)	140,759	111,695	140,759	111,695
Increase (Decrease) in Other Liabilities	(126,474)	327,571	1,418,394	361,530	1,429,628
NET CASH USED IN OPERATING ACTIVITIES	(1,622,902)	(2,628,662)	906,347	(2,624,592)	909,649
CASH FLOW PROVIDED BY INVESTING ACTIVITIES					
Adjustment of assets in subsidiaries	-	-	7	-	7
Disposal of Investiments	99	151	164	296	680
Disposal of Property and Equipment in Use	67	172	239	172	242
Acquisition of Investiments	(183)	(198)	(185)	(1.858)	(197)
Acquisition of Property and Equipment in use	(20,751)	(34,883)	(57,033)	(38,272)	(57,316)
Acquisition of Intangible Assets	(3,925)	(60,898)	(30,688)	(61,635)	(31,070)
NET CASH USED IN INVESTMENT ACTIVITIES	(24,693)	(95,656)	(87,496)	(101,297)	(87,654)
CASH FLOW FROM FINANCING ACTIVITIES					
Dividends Paid	(65,000)	(65,000)	(38,506)	(65,000)	(38,506)
Interest on Capital Paid	(103,794)	(204,858)	(189,025)	(204,858)	(189,025)
Change in Minority Interest	-	-	-	24	(1,648)
NET CASH USED IN FINANCING ACTIVITIES	(168,794)	(269,858)	(227,531)	(269,834)	(229,179)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(1,816,389)	(2,994,176)	591,320	(2,995,723)	592,816
Cash and Cash Equivalents	339,839	411,158	373,239	411,220	373,278
Interbank Investments (Note 03(n))	4,115,619	5,222,087	4,668,686	5,241,952	4,687,078
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	**4,455,458**	**5,633,245**	**5,041,925**	**5,653,172**	**5,060,356**
Cash	403,281	403,281	411,158	403,321	411,220
Interbank Investments (Note 03(n))	2,235,788	2,235,788	5,222,087	2,254,128	5,241,952
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	**2,639,069**	**2,639,069**	**5,633,245**	**2,657,449**	**5,653,172**

Statement of Value Added

December 31, 2010 and 2009
(In Thousands of Reais)

		Banrisul		Banrisul Consolidated	
	2nd Half/2010	2010	2009	2010	2009
INCOME (a)	**2,788,435**	**5,105,615**	**4,511,384**	**5,172,612**	**4,562,844**
Financial Income	2,598,291	4,826,413	4,253,233	4,840,370	4,262,431
Services Rendered and Bank Fees Income	307,759	591,110	535,810	641,661	579,341
Allowance for loan losses	(237,637)	(518,109)	(421,880)	(518,322)	(422,639)
Other	120,022	206,201	144,221	208,903	143,711
FINANCIAL INTERMEDIATION EXPENSES (b)	**1,063,210**	**1,944,610**	**1,736,324**	**1,927,163**	**1,720,254**
INPUTS ACQUIRED FROM THIRD PARTIES (c)	**370,498**	**758,025**	**754,676**	**770,168**	**770,422**
Materials, Energy and other	310,184	635,484	647,987	646,299	661,497
Third-party Services	60,308	122,519	106,853	125,326	109,114
Assets Value Recovery (Loss)	6	22	(164)	(1,457)	(189)
GROSS VALUE ADDED (d=a-b-c)	**1,354,727**	**2,402,980**	**2,020,384**	**2,475,281**	**2,072,168**
DEPRECIATION AND AMORTIZATION (e)	**56,101**	**109,004**	**92,943**	**109,728**	**93,779**
NET VALUE ADDED PRODUCED BY THE BANK (f=d-e)	**1,298,626**	**2,293,976**	**1,927,441**	**2,365,553**	**1,978,389**
NET VALUE ADDED PRODUCED BY THE BANK (g)	**23,780**	**36,338**	**24,025**	**-**	**-**
Equity in Subsidiaries	23,780	36,338	24,025	-	-
VALUE ADDED FOR DISTRIBUTION (h=f+g)	**1,322,406**	**2,330,314**	**1,951,466**	**2,365,553**	**1,978,389**
DISTRIBUTION OF VALUE ADDED	**1,322,406**	**2,330,314**	**1,951,466**	**2,365,553**	**1,978,389**
Personnel	**461,375**	**855,727**	**803,518**	**865,270**	**810,153**
Salary	358,072	660,090	617,607	668,462	623,152
Benefits	80,602	148,031	136,591	148,720	137,213
FGTS	22,701	47,606	49,320	48,088	49,788
Tax Fees and contributions	**399,877**	**684,549**	**563,307**	**711,580**	**584,833**
Federal	383,238	650,881	532,507	675,519	552,038
State	214	441	506	449	534
Municipality	16,425	33,227	30,294	35,612	32,261
Third-party capital compensation	**24,911**	**48,796**	**43,545**	**47,239**	**42,136**
Rentals	24,911	48,796	43,545	47,239	42,136
Shareholders' equity compensation	**436,243**	**741,242**	**541,096**	**741,464**	**541,267**
Interest on Capital	103,795	204,858	189,025	204,858	189,025
Dividends	68,185	88,345	26,415	88,345	26,415
Retained Earnings	264,263	448,039	325,656	448,039	325,656
Minority interest	-	-	-	222	171

Statement of Changes in Shareholders´ Equity

December 31, 2010 and 2009
(In Thousands of Reais)

		Capital Reserves		Profit Reserves					
	Capital Stock	Adjustment of Memberships Certificates in Subsidiary	Investments Grants	Legal	Estatutory	For Expansion	Assets Valuation Adjustment	Retained Earnings	TOTAL
Balance as of January 01, 2009	**2,300,000**	**1,653**	**4,511**	**128,314**	**289,757**	**364,411**	**(9,507)**	**-**	**3,079,139**
Capital Increase (Note 20 (a))	300,000	-	-	-	-	(300,000)	-	-	-
Adjustment of Memberships Certificates in Subsidiary	-	7	-	-	-	-	-	-	7
Valuation Adjustment to Equity (Note (b))	-	-	-	-	-	-	3,660	-	3,660
Net Income	-	-	-	-	-	-	-	541,096	541,096
Allocation of Net Income (Note 20 (b))									
Recognition of Reserves	-	-	-	27,055	135,274	163,327	-	(325,656)	-
Interest on Capital	-	-	-	-	-	-	-	(189,025)	(189,025)
Dividends Accrued	-	-	-	-	-	-	-	(26,415)	(26,415)
Balance as of December 31, 2009	**2,600,000**	**1,660**	**4,511**	**155,369**	**425,031**	**227,738**	**(5,847)**	**-**	**3,408,462**
Capital Increase (Note 20 (a))	300,000	-	-	-	(72,262)	(227,738)	-	-	-
Adjustment of Memberships Certificates in Subsidiary	-	(1,660)	-	-	-	-	-	-	(1,660)
Valuation Adjustment to Equity (Note 05 (b))	-	-	-	-	-	-	398	-	398
Net Income	-	-	-	-	-	-	-	741,242	741,242
Allocation of Net Income (Note 20 (b))									
Interest on Capital	-	-	-	37,062	185,311	225,666	-	(448,039)	-
Interest on Capital	-	-	-	-	-	-	-	(204,858)	(204,858)
Dividends Accrued	-	-	-	-	-	-	-	(88,345)	(88,345)
Balance as of December 31, 2010	**2,900,000**	**-**	**4,511**	**192,431**	**538,080**	**225,666**	**(5,449)**	**-**	**3,855,239**
Balance as of July 01, 2010	**2,900,000**	**-**	**4,511**	**170,619**	**429,019**	**92,276**	**(6,322)**	**-**	**3,590,103**
Valuation Adjustment to Equity (Note 05 (b))	-	-	-	-	-	-	873	-	873
Net Income	-	-	-	-	-	-	-	436,243	436,243
Allocation of Net Income (Note 20 (b))									
Recognition of Reserves	-	-	-	21,812	109,061	133,390	-	(264,263)	-
Interest on Capital	-	-	-	-	-	-	-	(103,794)	(103,794)
Dividends Accrued	-	-	-	-	-	-	-	(68,186)	(68,186)
Balance as of December 31, 2010	**2,900,000**	**-**	**4,511**	**192,431**	**538,080**	**225,666**	**(5,449)**	**-**	**3,855,239**

Notes of the Management to the Financial Statements

NOTE 01 Operations

Banco do Estado do Rio Grande do Sul S,A, (Banrisul) is a multiple-service bank, operating commercial, lending, financing and investment, mortgage loan, development, lease and investment portfolios, including exchange, securities brokerage, and credit card and consortium management. Transactions are conducted within the context of a group of financial institutions that operate on an integrated basis in the financial market. Banrisul also operates as an instrument for the execution of the economic and financial policy of the state of Rio Grande do Sul, in conformity with the state government's plans and programs.

NOTE 02 Presentation of the Financial Statements

(a) The individual and consolidated financial statements have been prepared in accordance with Brazilian accounting practices applicable to financial institutions, and standards and instructions from the Central Bank of Brazil and from the Brazilian Securities and Exchange Commission (CVM), include accounting practices and estimates concerning the recognition of allowances and determination of assets that comprise its securities portfolio. Actual results could differ from those estimated.

(b) The Bank's individual financial statements include operations conducted in Brazil as well asthe incorporation of its foreign branches (New York and Grand Cayman). Assets, liabilities and income from foreign branches, before consolidation eliminations, are summarized as follows:

	In Thousands of Reais	
	2010	2009
ASSETS		
Securities	-	8,559
Lending Operations	144,728	144,000
Operations in Brazil	82,866	81,795
Other Lending Operations	61,862	62,205
Other Assets	21,510	37,981
Total Assets	166,238	190,540
LIABILITIES		
Deposits	52,702	74,908
Operations in Brazil	7,017	20,363
Other Deposits	45,685	54,545
Other Liabilities	708	449
Shareholders' Equity	112,828	115,183
Total Liabilities and Shareholders' Equity	166,238	190,540
STATEMENT OF INCOME		
Financial Intermediation Income	6,027	7,343
Financial Intermediation Expenses	(1,355)	(1,689)
Other Expenses, Net	(2,065)	(2,154)
Net Income for the period	2,607	3,500

The effects of the exchange variation over operations in foreign branches are distributed in the statement of income according to the nature of corresponding assets and liabilities.

(c) The consolidated financial statements include the accounts of the Bank, its foreign branches and subsidiaries whose balance of investments, as of December 31, 2010, amounted to R$322,172 thousand (2009 – R$292,895 thousand), and generated equity gains in subsidiaries on period R$36,338 thousand (2009 – R$24,025 thousand), and are presented as follows:

Main Information on Investments in Subsidiaries:

In Thousands of Reais

	Banrisul Armazéns Gerais S.A.	Banrisul S.A. Corretora de Val. Mob. e Câmbio	Banrisul S.A. Administradora de Consórcios	Banrisul Serviços Ltda.	Total
Thousands of Shares					
. Common Shares	696	10,000	89,216	-	-
. Preferred Shares	-	19,608	-	-	-
. Shares	-	-	-	2,780	-
Adjusted Ownership Interest (%)	99,498	98,693	99,683	99,785	-
Capital	23,750	58,000	116,000	77,640	-
Shareholders' Equity	24,893	71,335	130,987	96,637	-
Net Income	1,059	11,032	11,460	13,867	-
Net Amounts Eliminated on Consolidation (Note 25):					
Assets (Liabilities)					
. As of December 31, 2010	353	(66,109)	(121,649)	(119,906)	(307,311)
. As of December 31, 2009	111	(61,360)	(118,606)	(96,040)	(275,895)
Income (Expenses)					
. As of December 31, 2010	(1,439)	(3,587)	(9,028)	501	(13,553)
. As of December 31, 2009	(1,298)	(3,054)	(8,365)	460	(12,257)
Book Value of the Investment					
. As of December 31, 2010	24,768	70,403	130,572	96,429	322,172
. As of December 31, 2009	23,965	62,144	121,721	85,065	292,895
Equity in Subsidiaries					
. As of December 31, 2010	1,053	12,540	11,380	11,365	36,338
. As of December 31, 2009	1,318	7,703	10,815	4,189	24,025

The preparation of consolidated financial statements eliminated interests among consolidated companies, remaining balance and results of transactions. The portions of income in the year ended December 31, 2010 and shareholders' equity referring to minority shareholders' interest have been highlighted.

(d) Financial Lease Operations are stated at present value in the Balance Sheet, and related income and expenses, which represent the financial result of said operations, are grouped in Lease Operations in the Statement of Income.

NOTE 03 Significant Accounting Practices

(a) Results of operations
Income and expenses are recorded on the accrual basis.

(b) Interbank Investments
Represent funds invested in the interbank market, stated at present value, calculated on "pro rata die" basis, according to the variation of both the agreed index and the interest rate.

(c) Securities and Derivatives
According to Central Bank of Brazil Circular no. 3068 of November 8, 2001 and complementary regulation, are classified and assessed into three specific categories, in conformity with the following accounting criteria:

i) Trading Securities – securities acquired for the purposes of being actively and frequently traded, adjusted to fair value, and realized and unrealized gains or losses recognized in the statement of income.

ii) Available-for-Sale Securities – Include securities used as part of the strategy to manage risk of changes in interest rates and which may be traded as a result of these changes, changes in payment conditions or other factors. These securities are adjusted to fair value, and income earned is recorded in the statements of income, whereas unrealized gains and losses from changes in fair value are recorded in a separate shareholders' equity caption, net of taxes, where applicable, denominated "Valuation Adjustments to Equity" until they are realized through sale.

Gains and losses, when realized, are recorded in the statement of income on the trading date, with a contra entry to a specific shareholders' equity account, net of taxes, where applicable.

iii) Held-to-Maturity Securities – Include securities for which Management has the intent and financial capacity to hold to maturity and are stated at cost plus income earned. Financial capacity is defined in cash flow projections, disregarding any possible sale of these securities.

Derivatives – Derivatives contracted together with other investment operations are stated at the amounts of the income earned and expenses incurred on the accrual basis, with a contra entry to income (loss).

(d) Loans, Lease Transactions and Other Receivables with Credit Characteristics
All loans and lease transactions are classified based on Management's risk assessment, taking into account the economic scenario, past experience and specific risks related to operations, debtors and guarantors, pursuant to National Monetary Council (CMN) Resolution no. 2682/99, which requires a periodic analysis of the portfolio and its classification into nine risk levels, from AA to H. A summary of this classification is presented in Note 07.

Loans and lease transactions are recorded at present value, calculated on a daily pro-rata basis, based on the agreed index and interest rate, and are adjusted up to the sixtieth day past-due. Thereafter, income is recognized only when received.

The risk of renegotiated assets are classified in accordance with the criteria established by National Monetary Council (CMN) Resolution no. 2682/99, i.e. the rating assigned before the renegotiation is maintained and renegotiated loans previously written-off against the allowance and controlled in memorandum accounts are rated level H. Any gains on renegotiation are recognized as revenue only when actually received.

(e) Other Receivables – Operations with Credit Cards

Unbilled amounts are represented by receivables from cardholders for transactions in Visa and MasterCard banners. These amounts are accounted for as Notes and Credits Receivable, without credit characteristics, and transactions paid in installments when Banrisul is the issuer, and the outstanding balance of transactions paid by the minimum amount of the bill (Revolving), are reclassified as Loans.

(f) Allowance for loan losses, for doubtful lease receivables and for losses on other receivables

Recorded in an amount considered sufficient to cover possible considering the risk level classification of the customer based on periodic assessment of credit quality, and not only on the minimum percentages required by the National Monetary Council (CMN) Resolution no. 2682/99 when a default event occurs.

As of December 31, 2010, the total amount related to the allowance for loan losses, allowance for doubtful lease receivables and losses and other receivables, as stated in Note 07, exceeds the minimum amount required if only the rating of transactions based on the number of past due days is considered as set forth by National Monetary Resolution no. 2682/99. This procedure has been adopted by Management since its publication to cover possible events not captured by the credit-scoring model.

(g) Permanent Assets

Permanent assets are stated at acquisition cost, adjusted for inflation through December 31, 1995, considering the following aspects:

· Investments in subsidiaries are accounted for under the equity method, based on the financial statements prepared in conformity with the accounting practices adopted by the parent company, i.e., the Brazilian accounting practices applicable to financial institutions. Other investments are stated at cost and adjusted based by allowances for permanent losses, when applicable;

· Depreciation of property and equipment in use under the straight-line method is based on the expected economic useful lives of assets considering the minimum rates set annually by the Central Bank of Brazil, and disclosed in Note 09;

· Intangible Assets consist, basically, of investments whose benefits will occur in the future, This group is represented by bank services contracts and software acquisition. Amortization is calculated under the straight line method at the rates stated reported in Note 09; and

· Annually, the bank reviews intangible assets for impairment losses. When identified, losses are charged to income.

(h) Assets and Liabilities Denominated in Foreign Currency

The assets and liabilities of foreign branches, as well as other assets and liabilities arising from foreign currency transactions carried out by the Bank and its subsidiaries were translated at the exchange rate prevailing at the balance sheet date.

(i) Deposits, Money Market Funding, Borrowings and Onlendings and Financial and Development Fund

Stated at collectable amounts plus charges incurred through the balance sheet date, recognized on a pro rata die basis.

As prescribed by Laws no. 12069/04 and no. 12585/06 issued by the Rio Grande do Sul State Government, up to 85% of the escrow deposits made by third parties in the Bank should be, if so requested, made available to the state of Rio Grande do Sul, and the remaining balance is retained at the Bank for creation of a fund. Escrow deposits transferred to the Rio Grande do Sul Government are controlled in a memorandum account and the retained portion is classified as “Other Payables”, as described in Note 21(a). Expenses on charges on the remaining balance are recorded under “Expenses with Borrowings, Assignments and Onlendings”.

(j) Reserves for Tax, Labor and Civil Risks

These reserves are recorded based on the legal counsel's opinion, using models and criteria which permit obtaining the most adequate measurement, despite the uncertainty about their period and the final outcome amount. The criterion used according to the nature of the contingency is as follows:

i) Labor Contingencies – Recognized upon court notification of judicial discussion involving Banrisul, the risk of loss of which is deemed as probable. Amounts are determined according to disbursement estimates by our Management, timely revised based on information received from our legal counsels, adjusted based on the amount of the deposit related to the execution, when required.

ii) Civil Contingencies – Recognized, upon court notice, and monthly adjusted based on the intended amount of indemnities, the evidence presented, and the legal counsel's evaluation – which considers previous court decisions, factual support, evidence produced in the records and legal decisions that might be rendered in the lawsuit, for the lawsuit loss risk.

iii) Tax and Social Security Contingencies – Refer basically to taxes whose lawfulness or constitutionality is being challenged at administrative or judicial level and whose likelihood of loss is – or has been in previous phases – deemed as probable and are recognized at the full amount under dispute. For lawsuits with respective escrow deposits, amounts are not updated except when the Bank is authorized to withdraw the deposits on account of a favorable outcome of the lawsuit.

(l) Income Tax and Social Contribution

Calculated at the rate of 15% for social contribution tax and 15% (plus a 10% surtax pursuant to legislation) for income tax on taxable income in the period, adjusted by permanent differences. Deferred income tax and social contribution were calculated based on the rates in force on balance sheet date over the temporary additions and recorded under Other Receivables, as contra entry of Income for the Period.

(m) Post-Employment Benefits

The Bank sponsors a "defined benefit" plan to its employees that has been valued in compliance with specific legislation. As required by Brazilian Accouting Standard Procedures (NPC) 26, issued by Brazilian Institute of Independent Auditors (Ibracon) and based on an appraisal report issued by an independent actuary, the Bank reviews the actuarial position of the plan annually, as discussed in Note 23.

(n) Cash and Cash Equivalents in Cash Flow Statement

Include the balances of cash and cash equivalents and interbank investments, redeemable within 90 days from the date of investment. These highly-liquid investments, which are stated at cost plus income earned through the balance sheet dates, have maturities of up to 90 days or no deadline for redemption and are subject to an immaterial risk of change in value.

NOTE 04 Interbank Investments

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Money Market Investments	**2,224,333**	**5,207,226**	**2,242,673**	**5,227,091**
Pending Setlement resales - Own Portfolio				
Treasury Bills - LFT	1,971,232	1,740,897	1,971,232	1,740,897
National Treasury Bills- LTN	203,082	151,000	203,082	151,000
National Treasury Notes - NTN	50,019	3,315,329	50,019	3,315,329
Other	-	-	18,340	19,865
Interbank Deposits	**116,656**	**129,451**	**116,656**	**129,451**
Interbank Deposits (*)	116,656	129,451	116,656	129,451
Total	**2,340,989**	**5,336,677**	**2,359,329**	**5,356,542**

(*) Out of the amount of R$116,656 thousand of interbank deposits, R$105,201 thousand have maturities of more than ninety days from date of application.

NOTE 05 Securities and Derivatives

Breakdown of the portfolio of Securities and Derivatives:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Trading Securities	2,068,788	1,884,691	2,072,460	1,886,134
Available-for-sale Securities	1,704,184	1,067,165	1,712,806	1,069,984
Held-to-Maturity Securities	4,737,458	4,298,430	4,740,480	4,301,184
Derivatives	-	151,219	-	151,219
Total	**8,510,430**	**7,401,505**	**8,525,746**	**7,408,521**
Current Assets	**4,018,642**	**3,194,674**	**4,030,936**	**3,198,936**
Long-Term Assets	**4,491,788**	**4,206,831**	**4,494,810**	**4,209,585**

The fair value presented in the chart below were assessed as follows: Treasury Bills that hold active negotiations are determined based on prices published by the ANBIMA; for shares of Publicly-held Companies the average price of the last negotiation of the day is used; and for securities that have no price published, the Bank adopts as basis for calculation of the fair value, the value obtained by means of internal pricing technique.

(a) Trading Securities

Composed mainly of Federal Government Securities (Treasury Bills - LFT) registered at fair value.

Breakdown per maturity:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
Maturity	Acquisition Cost	Fair Value	Acquisition Cost	Fair Value
Up to 3 months	490,262	490,265	492,427	493,937
1 to 3 years	1,282,081	1,282,117	1,282,081	1,282,117
3 to 5 years	296,396	296,406	296,396	296,406
Total in 2010	**2,068,739**	**2,068,788**	**2,070,904**	**2,072,460**
Total in 2009	**1,884,620**	**1,884,691**	**1,886,034**	**1,886,134**

According to the Central Bank of Brazil regulations, these securities are classified in current assets at their fair value.

(b) Available-for-Sale Securities

Breakdown of the Available-for-Sale Securities Portfolio by category per fair value:

				In Thousands of Reais
	Banrisul		Banrisul Consolidated	
Maturity	2010	2009	2010	2009
Treasury Bills - LFT	1,154,287	1,049,208	1,154,287	1,049,208
Shares of Publicly-Held Companies	13,645	12,915	13,647	13,072
Privatization Certificates	-	-	6	5
Fixed Income Fund Shares	-	5,042	8,614	7,699
Receivable Investment Funds Shares (*)	536,252	-	536,252	-
Total	**1,704,184**	**1,067,165**	**1,712,806**	**1,069,984**

(*) Refers to 100% of the senior quotas of the Matone Credit Receivable Investment Fund - Payroll Loans administered by BTG Pactual Financial Services S.A., whose credit receivables are custodied at Deutsche Bank S.A. As the resources of the Fund are invested in receivables, the redemption of quotas owned by the Bank depend on the availability of funding, and may require that the Bank wait until the maturity of such credits (up to 72 months). The expected yield of the senior quotas is 114% of the DI rate.

Breakdown per maturity:

				In Thousands of Reais
	Banrisul		Banrisul Consolidated	
Maturity	Acquisition Cost	Fair Value	Acquisition Cost	Fair Value
Without maturity	559,005	549,897	567,625	558,519
3 to 12 months	123,771	123,773	123,771	123,773
1 to 3 years	944,582	944,592	944,582	944,592
3 to 5 years	85,911	85,922	85,911	85,922
Total in 2010	**1,713,269**	**1,704,184**	**1,721,889**	**1,712,806**
Total in 2009	**1,076,974**	**1,067,165**	**1,079,793**	**1,069,984**

The adjustment to fair value as of December 31, 2010, in the amount of R$9,085 thousand (2009 – R$9,809 thousand), was recorded under a specific Shareholders' Equity account, net of taxes of R$3,636 thousand (2009 – R$3,962 thousand), recorded in "Other Credits".

(c) Held-to-Maturity Securities

The Portfolio of Held-to-Maturity Securities, by category, stated at cost plus income earned is as follows:

				In Thousands of Reais
	Banrisul		Banrisul Consolidated	
	Acquisition Cost	Fair Value	Acquisition Cost	Fair Value
Federal Government Securities				
Treasury Bills - LFT	4,544,921	4,545,260	4,547,943	4,548,282
National Treasury Bills - NTN	7,809	7,942	7,809	7,942
Salary Variation Compensation Fund - CVS	153,385	113,024	153,385	113,024
Other	6	6	6	6
Mortgage-Backed Securities - LH	28,699	28,699	28,699	28,699
Certificate of Real Estate Receivables - CRI	2,638	2,638	2,638	2,638
Total in 2010	**4,737,458**	**4,697,569**	**4,740,480**	**4,700,591**
Total in 2009	**4,298,430**	**4,257,711**	**4,301,184**	**4,260,465**

The maturities of securities are as follows:

				In Thousands of Reais
	Banrisul		Banrisul Consolidated	
Maturity	2010	2009	2010	2009
Up to 3 months	899,554	1,267,486	899,554	1,267,486
3 to 12 months	376,630	8,559	376,630	8,559
1 to 3 years	2,104,983	1,162,715	2,104,983	1,162,715
to 5 years	1,200,269	553,171	1,203,291	555,925
5 to 15 years	2,637	1,104,429	2,637	1,104,429
Over 15 years	153,385	202,070	153,385	202,070
Total	**4,737,458**	**4,298,430**	**4,740,480**	**4,301,184**
Current Assets	**1,276,184**	**1,276,045**	**1,276,184**	**1,276,045**
Long-Term Assets	**3,461,274**	**3,022,385**	**3,464,296**	**3,025,139**

(d) Derivatives

Until November 2010, the Bank conducted swap transactions in order to mitigate the effects of changes in fixed rates, exchange rates and reference rates (TR) on certain assets, resulting in the change of these rates into the SELIC variation. On December 7, 2010, Banrisul entered into the amendment to the assignment agreement with the State of Rio Grande do Sul, whereby it revoked the rate equalization clauses in the swap contracts, and offset adjustments to be received calculated through that base date in the amount of R$102.909 thousand with the fair value of the Credits with National Housing System – Salary Variation Compensation Fund (FCVS), not affecting the Bank's income (loss).

As of December 31, 2009, the amounts were as follows:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	Notional Value	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	2009
Assets								
SELIC + Fixed Rate-FCVS	77,170	-	-	-	27	18,183	5,911	24,121
SELIC + Fixed Rate	97,872	10,425	5,556	22,223	22,223	66,671	-	127,098
Liabilities								
TR + Fixed Rate	(77,170)	(7,324)	(6,592)	(11,921)	(5,888)	(9,320)	(984)	(42,029)
USD+BID+Fixed Rate	(97,872)	(304)	(295)	(1,093)	(967)	(2,284)	-	(4,943)
Net Adjustment		**2,797**	**(1,331)**	**9,209**	**15,395**	**73,250**	**4,927**	**104,247**

The counterparty to the above mentioned swap transactions is the Rio Grande do Sul State Government and these transactions were tied to the assignment of credits of the FCVS and borrowings from municipal governmental entities, with the same maturity dates as the main operations.

These swap transactions were designed to adjust the prices of transactions linked to them and, along with thse transactions, were subject to rates equivalent to those prevailing in the market on the same date, since their maturity dates would be concurrent with those of the original transactions and swap contracts not separately negotiated.

As of December 31, 2009, the amounts receivable and amounts payable were as follows:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	2009
Derivatives	
Adjustments Receivable - Short Term	15,981
Adjustments Receivable - Long Term	135,238
Adjustments Payable - Short Term	(14,515)
Adjustments Payable - Long Term	(32,457)
Net Adjustment	**104,247**

NOTE 06 Restricted Deposits

Banrisul and Banrisul Consolidated — In Thousands of Reais

Description	Interest Rate	2010	2009
Compulsory Deposits - Brazilian Central Bank		**2,437,243**	**1,349,540**
Demand deposits and other funds	None	899,030	267,960
Additional Reserve	SELIC	106,553	-
Saving deposits	Savings account	1,105,762	1,057,438
Others deposits	None	32,921	24,142
Others deposits	TR	292,977	-
Créditos Vinculados ao SFH		**604,552**	**440,898**
Acquired portfolio	(*)	425,639	292,333
Acquired portfolio	TR + Interest	163,155	133,368
Own portfolio	TR + Interest	15,758	15,197
Correspondents	None	**29,640**	**28,031**
Total		**3,071,435**	**1,818,469**
Current Assets		**2,466,883**	**1,377,571**
Long-term Assets		**604,552**	**440,898**

(*) Until November 2010, the yield on those credits was linked to a swap contract as detailed in Note 05 (d), resulting in a net yield equivalent to the Selic Rate close to a 1% p.a. on average. Beginning December 2010, the yield is fixed at 14.07% p.a.

National Housing System - Third-party Portfolio – From October 2002 to March 2005, the Bank acquired from the Rio Grande do Sul State Government receivables from the Salary Variation Compensation Fund (FCVS). On December 7, 2010, pursuant to the cancellation of que equalization rate clause in the swap contracts, as stated in note 05, these receivables were priced, through the addition to the acquisition cost of R$102.909 thousand thus offsetting adjustments receivable of swap contracts, as described in note 05 (d), without affecting net income (loss). As of December 31, 2010, receivables are stated at cost plus income earned through the balance sheet date, at the amount of R$588,794 thousand (2009 – R$425,701 thousand). Their face value is R$789,387 thousand (2009 – R$718,529 thousand). These receivables will be converted into CVS securities, pursuant to ratification and novation processes, these processes is out of the original deadline estimated by the Administration, and the past due amounts are presented separately and restated by the variation of TR plus interest. Regardless of the non-definition of a maturity date, their fair values, upon the issue of the securities, could significantly differ from the carrying amounts.

National Housing System - Own Portfolio – Refers to credits of the FCVS arising from Banrisul's own mortgage loans portfolio that have already been approved by the FCVS's regulatory body.

NOTE 07 Loans, Lease Operations and Other Receivables with Credit Characteristics

The tables below show loans, lease and foreign exchange portfolio balances.

(a) Breakdown by Type of Operation and Risk Level:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	AA	A	B	C	D	E	F	G	H	2010	2009
Loan and Discounted Receivables	2,134,098	6,478,786	1,814,178	882,408	244,073	212,013	591,613	51,689	287,465	12,696,323	9,883,416
Financing	501,423	437,419	171,383	40,189	9,845	17,185	7,725	6,654	20,605	1,212,428	799,163
Rural and Agro-Industrial Financing	171,525	464,854	324,557	148,759	44,202	21,535	36,253	18,307	54,660	1,284,652	1,020,929
Real Estate Financing	458,952	425,182	211,427	102,316	20,993	16,419	33,743	1,493	14,809	1,285,334	1,085,281
Infrastructure and Development Financing	-	58,878	-	-	-	-	-	-	-	58,878	44,439
Total Loans	**3,265,998**	**7,865,119**	**2,521,545**	**1,173,672**	**319,113**	**267,152**	**669,334**	**78,143**	**377,539**	**16,537,615**	**12,833,228**
Lease Operations	13,979	24,137	22,968	5,934	5,552	3,653	2,044	669	4,689	83,625	97,894
Advances on Foreign Exchange Contracts (1)	28,541	136,470	151,142	21,609	36,742	12,375	3,690	-	5,123	395,692	446,098
Other Receivables - Foreign Exchange (2)	754	2,011	3,305	849	268	201	409	-	8,432	16,229	36,991
Total Banrisul in 2010	**3,309,272**	**8,027,737**	**2,698,960**	**1,202,064**	**361,675**	**283,381**	**675,477**	**78,812**	**395,783**	**17,033,161**	
Total Banrisul in 2009	**3,837,863**	**4,859,616**	**2,207,128**	**917,307**	**234,478**	**173,035**	**725,163**	**88,893**	**370,728**		**13,414,211**

(1) Advances on foreign exchange contracts are classified as a reduction of "Other payables - Foreign exchange portfolio" (Note 13).

(2) Other Receivables - Foreign exchange include receivables from foreign exchange contracts and receivables from export contracts.

(b) Client Breakdown per Maturity and Risk Levels:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	AA	A	B	C	D	E	F	G	H	2010	2009
Falling due (*)	**3,307,171**	**8,025,831**	**2,693,574**	**1,188,328**	**349,808**	**269,062**	**630,272**	**56,245**	**272,952**	**16,793,243**	**13,121,853**
Up to 180 days	1,159,213	2,100,297	1,163,370	577,819	178,091	137,627	285,839	18,894	69,855	5,691,005	4,835,306
181 to 360 days	429,416	1,241,080	478,233	177,581	52,928	40,998	88,790	8,931	37,405	2,555,362	2,002,324
Over 360 days	1,718,542	4,684,454	1,051,971	432,928	118,789	90,437	255,643	28,420	165,692	8,546,876	6,284,223
Past-due	**2,101**	**1,906**	**5,386**	**13,736**	**11,867**	**14,319**	**45,205**	**22,567**	**122,831**	**239,918**	**292,358**
Up to 180 days	2,101	1,906	5,386	13,736	11,867	13,732	41,626	20,981	68,016	179,351	216,054
181 to 360 days	-	-	-	-	-	587	3,579	1,586	41,678	47,430	49,719
Over 360 days	-	-	-	-	-	-	-	-	13,137	13,137	26,585
Total Banrisul in 2010	**3,309,272**	**8,027,737**	**2,698,960**	**1,202,064**	**361,675**	**283,381**	**675,477**	**78,812**	**395,783**	**17,033,161**	
Total Banrisul in 2009	**3,837,863**	**4,859,616**	**2,207,128**	**917,307**	**234,478**	**173,035**	**725,163**	**88,893**	**370,728**		**13,414,211**

(*) Amounts up to 14 days past-due are included in the current.

(c) Portfolio Breakdown by Business Sector:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	2010	2009
Municipal Public Sector		
Government - direct and indirect administration	107,095	99,918
Corporate activity - Other	18,986	21,562
Total Public Sector	**126,081**	**121,480**
Private sector		
Rural	1,284,652	1,020,929
Industry	3,504,631	2,962,982
Commerce	2,010,770	1,615,221
Services and other	1,476,456	1,255,898
Individuals (*)	7,345,237	5,352,420
Housing	1,285,334	1,085,281
Total Private Sector	**16,907,080**	**13,292,731**
Total	**17,033,161**	**13,414,211**

(*) Includes R$2,190,239 thousand in 2010 (R$1,346,858 thousand in 2009) related to payroll loan portfolio acquired from other financial institutions.

(d) Changes in allowances for loan losses, doubtful lease receivables and other receivables with credit characteristics:

The changes in allowances for losses on loan, lease and other receivables with loan characteristics are as follows:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	2010	2009
Opening balance	**1,016,754**	**970,691**
Allowance recorded in the year	518,109	421,880
Write-offs to memorandum accounts	(432,940)	(295,919)
Allowance other loans without credit characteristics	-	(79,898)
Allowance for Loan Losses per risk level	**1,101,923**	**1,016,754**
Allowance for Loan losses		
Current Assets	407,082	418,080
Long-Term Assets	651,641	548,129
Allowance for doubtful lease receivables		
Current Assets	3,609	1,566
Long-Term Assets	5,305	7,183
Allowance for Loan losses for Other Receivables with Loan Characteristics		
Current Assets	26,250	41,767
Long-Term Assets	8,036	29

(e) Breakdown of allowances for loans losses, doubtful lease receivables and other receivables with credit characteristics per risk level:

Banrisul and Banrisul Consolidated — In Thousands of Reais

Risk level	Loan Portfolio	Minimum allowance required by Resolution 2.682/99	Recorded allowance: Minimum allowance required	Recorded allowance: Additional Allowance (Note 03(f))	Recorded allowance: Total
AA	3,309,272	0,0%	-	6,495	6,495
A	8,027,737	0,5%	40,139	16,055	56,194
B	2,698,960	1,0%	26,989	13,495	40,484
C	1,202,064	3,0%	36,062	24,041	60,103
D	361,675	10,0%	36,168	7,233	43,401
E	283,381	30,0%	85,014	5,668	90,682
F	675,477	50,0%	337,738	13,510	351,248
G	78,812	70,0%	55,169	2,364	57,533
H	395,783	100,0%	395,783	-	395,783
Total in 2010	**17,033,161**		**1,013,062**	**88,861**	**1,101,923**
Total in 2009	**13,414,211**		**944,781**	**71,973**	**1,016,754**

Loans written off at loss in the year ended in December 31, 2010 and controlled based on the adjusted amount until the date of the respective write-off in a memorandum account amounted to R$432,940 thousand (2009 – R$295,919 thousand).

Recoveries of loans previously written off as loss have been recognized as income from lending operations and amounted to R$135,439 thousand (2009 – R$87,576 thousand) in the year ended in December 31, 2010 net of losses generated from these recoveries.

NOTE 08 Other Receivables

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Foreign Exchange Portfolio	**398,225**	**448,926**	**398,225**	**448,926**
Purchased foreign exchange, pending settlement	381,844	431,159	381,844	431,159
Rights on sale of foreign exchange	17,129	11,626	17,129	11,626
Advances in local currency	(8,700)	(6,861)	(8,700)	(6,861)
Income receivable from advances	7,952	13,002	7,952	13,002
Income receivable	**42,248**	**35,544**	**36,388**	**30,833**
Dividends and bonuses receivable	5,860	4,711	-	-
Receivables from services rendered	34,469	29,657	34,469	29,657
Other	1,919	1,176	1,919	1,176
Negociation and intermediation of amounts	**-**	**-**	**4,951**	**4,615**
Negociation and intermediation of amounts	-	-	4,951	4,615
Specific Credits	**-**	**-**	**8**	**21**
Specific Credits	-	-	8	21
Sundry	**1,327,839**	**1,267,652**	**1,386,419**	**1,328,834**
Advances to Loan Guarantee Fund	57,373	77,044	57,373	77,044
Advances to employees	11,920	11,257	13,797	11,301
Advances for payment by our account	446	487	3,251	6,507
Deferred income tax and social contribution (Note 22(b))	616,903	598,013	621,238	603,580
Escrow deposits (Note 14)	162,382	154,899	174,215	167,286
Recoverable taxes	13	18	2,267	3,076
Reimbursable payments	86,494	79,329	87,078	79,384
Notes and credits receivable(*)	238,809	220,427	239,731	221,324
Credit Cards	84,604	66,446	84,604	66,446
Other debtors – Domestic	68,895	59,732	102,865	92,886
Allowance for losses on other receivables	**(73,377)**	**(121,694)**	**(73,938)**	**(122,110)**
Total other receivables	**1,694,935**	**1,630,428**	**1,752,053**	**1,691,119**
Current assets	**1,084,641**	**904,559**	**1,129,070**	**948,170**
Long-term assets	**610,294**	**725,869**	**622,983**	**742,949**

(*) Notes and Credit Receivables are described mainly as follows:

a) in the first quarter of 2005, as part of receivables recovery policy, Banrisul received as payment in kind bonds issued to pay court ordered debts from companies under the same Economic Group. As of December 31, 2010, these bonds amount to R$88,191 thousand (2009 - R$81,810 thousand). These bonds are subject to the variation of the price and interest index.

b) Other Receivables without credit characteristics, transactions with municipal governmental entities, in the amount of R$95,298 thousand (R$89,910 thousand) related to receivables acquired from the Government of the State of Rio Grande do Sul or its controlled entities, with yield of 1% to 8.5% p.a. plus the TR or IGPM variation, maturying through 2030.

NOTE 09 Permanent Assets

(a) Property and equipment

Banrisul — In Thousands of Reais

	Rate	Original Cost	Accumulated Depreciation	Net Balance in 2010	Net Balance in 2009
Property in Use					
Land and Buildings in Use	4%	120,361	(97,741)	22,620	22,219
Other					
Furniture and Equipment in inventory	-	10,728	-	10,728	5,706
Property and Equipment in Progress	-	58	-	58	114
Facilities	10%	88,124	(76,878)	11,246	10,972
Furniture and Equipment in Use	10%	70,371	(49,491)	20,880	21,299
Other					
Communication System	10%	4,413	(3,856)	557	526
Data Processing System	20%	283,606	(190,779)	92,827	101,587
Security System	10%	9,325	(6,696)	2,629	2,817
Transportation System	20%	2,480	(2,210)	270	468
Total		**589,466**	**(427,651)**	**161,815**	**165,708**

Banrisul Consolidated• — In Thousands of Reais

	Rate	Original Cost	Accumulated Depreciation	Net Balance in 2010	Net Balance in 2009
Property in Use					
Land and Buildings in Use	4%	130,623	(102,488)	28,135	24,785
Other					
Furniture and Equipment in inventory	-	10,728	-	10,728	5,706
Property and Equipment in Progress	-	58	-	58	115
Facilities	10%	89,322	(77,276)	12,046	11,883
Furniture and Equipment in Use	10%	73,624	(52,116)	21,508	22,030
Other					
Communication System	10%	4,413	(3,856)	557	527
Data Processing System	20%	284,365	(191,421)	92,944	101,667
Security System	10%	9,325	(6,696)	2,629	2,817
Transportation System	20%	2,545	(2,227)	318	528
Total		**605,003**	**(436,080)**	**168,923**	**170,058**

(b) Intangible Assets

In Thousands of Reais

				Banrisul		Banrisul Consolidated	
	Rate	Original Cost	Amortization	Net Balance in 2010	Net Balance in 2009	Net Balance in 2010	Net Balance in 2009
Intangible Assets							
Right from Acquisition of Payroll operations (*)							
- Public Sector	20%	298,284	(155,242)	143,042	163,461	143,042	163,461
- Private Sector	20%	26,330	(6,671)	19,659	8,968	19,659	8,968
Software Acquisition	20%	35,939	(28,456)	7,483	7,242	7,483	7,242
Other	-	668	(608)	60	75	1,087	458
Total		**361,221**	**(190,977)**	**170,244**	**179,746**	**171,271**	**180,129**

(*) It refers to agreements entered into with the public sector and private sector entities to ensure the exclusivity in banking services for processing of payroll credit and priority access to the offering of payroll loans to employees, bill collection portfolio, supplier payment and other services. Such agreements are effective for five years and are amortized over the agreement period. No indications that these assets are impaired were identified.

NOTE 10 Deposits and Money Market Funding

Banrisul						In Thousands of Reais
	Without Maturity	Up to 3 months	3 to 12 months	Over 12 months	2010	2009
Deposits						
Demand deposits (a)	3,783,239	-	-	-	3,783,239	2,107,702
Savings deposits (a)	5,579,974	-	-	-	5,579,974	5,636,799
Interbank deposits	-	12,310	-	-	12,310	89,968
Time deposits (b)	5,452	1,769,771	4,686,185	3,452,379	9,913,787	8,712,359
Other deposits	471	-	-	-	471	11,591
Total	**9,369,136**	**1,782,081**	**4,686,185**	**3,452,379**	**19,289,781**	**16,558,419**
Current liabilities					**15,837,402**	**13,261,369**
Long-term liabilities					**3,452,379**	**3,297,050**
Money market funding						
Own Portfolio	-	1,380,046	-	-	1,380,046	2,069,893
Total	**-**	**1,380,046**	**-**	**-**	**1,380,046**	**2,069,893**

Banrisul Consolidated						In Thousands of Reais
	Without Maturity	Up to 3 months	3 to 12 months	Over 12 months	2010	2009
Deposits						
Demand deposits (a)	3,779,936	-	-	-	3,779,936	2,100,614
Savings deposits (a)	5,579,974	-	-	-	5,579,974	5,636,799
Interbank deposits	-	12,310	-	-	12,310	89,968
Time deposits (b)	5,452	1,769,771	4,452,712	3,452,379	9,680,314	8,530,748
Other deposits	471	-	-	-	471	11,616
Total	**9,365,833**	**1,782,081**	**4,452,712**	**3,452,379**	**19,053,005**	**16,369,745**
Current liabilities					**15,600,626**	**13,072,695**
Long-term liabilities					**3,452,379**	**3,297,050**
Money market funding						
Own Portfolio	-	1,311,160	-	-	1,311,160	2,006,497
Total	**-**	**1,311,160**	**-**	**-**	**1,311,160**	**2,006,497**

(a) Classified as without maturity since they can be redeemed immediately.
(b) Consider the maturities set for each investment.

Time deposits are made by individuals and companies, with floating or fixed charges equivalent to 76% and 24% of the total portfolio, respectively. The average funding rate for floating-rate deposits corresponds to 96.48% (2009 – 97.02%) of the CDI variation, and for fixed-rate deposits, to 8.56% (2009 – 8.54%) p.a.

Funding through money market purchase and sale commitments operations – own portfolio –, conducted with financial institutions, has an average funding rate of 100% of the CDI variation.

NOTE 11 Borrowings

Foreign Borrowings: represented by funds obtained from foreign banks to be used in foreign exchange commercial transactions subject to the variation of the corresponding currencies plus annual interest rates from 2.0% to 6.50% (2009 – 2.00 % to 9.00%) with maximum term of 1,826 days (2009 – 294 days).

NOTE 12 Onlendings

Banrisul and Banrisul Consolidated — In Thousands of Reais

	Domestic Onlendings - Official Institutions		Foreign Onlendings		Total	
	2010	2009	2010	2009	2010	2009
Up to 90 days	249,287	249,709	7,117	2,538	256,404	252,247
91 to 360 days	60,555	120,123	12,293	33,230	72,848	153,353
1 to 3 years	325,302	245,937	5,109	-	330,411	245,937
3 to 5 years	186,680	146,559	714	-	187,394	146,559
Over 5 years	235,679	180,417	-	-	235,679	180,417
Total	**1,057,503**	**942,745**	**25,233**	**35,768**	**1,082,736**	**978,513**
Current liabilities	**309,842**	**369,832**	**19,410**	**35,768**	**329,252**	**405,600**
Long-term liabilities	**747,661**	**572,913**	**5,823**	**-**	**753,484**	**572,913**

Internal funds for onlending refer basically to funds from Official Institutions (BNDES – National Bank for Economic and Social Development, FINAME – National Equipment Financing Authority and Caixa Econômica Federal – Federal Savings and Loan Bank). These liabilities mature on a monthly basis through July 2023, and are subject to interest of 0.90% to 8.00% (2009 – 1.00% to 3.50%) p.a., plus variation of the indexes (TJLP, U,S, dollar and Currency Basket) for floating-rate operations and up to 11.00% (2009 – 11.00%) p.a. for fixed-rate operations. Funds are transferred to customers on the same terms and with the same funding rates, plus commission on financial intermediation. These funds are collateralized by the same guarantees received for the related loans.

NOTE 13 Other Payables

In Thousands of Reais

	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Collected taxes and other	**23,601**	**28,445**	**23,601**	**28,445**
Receipt of federal taxes	23,589	28,423	23,589	28,423
Other	12	22	12	22
Foreign exchange portfolio	**18,784**	**24,134**	**18,784**	**24,134**
Pending Setlement exchange sold	16,937	11,653	16,937	11,653
Foreign exchange purchased	397,539	458,574	397,539	458,574
Advances on foreign exchange contracts (Note 07 (a))	(395,692)	(446,098)	(395,692)	(446,098)
Other	-	5	-	5
Social and statutory	**27,779**	**33,315**	**27,868**	**33,387**
Dividends and bonuses payable	24,030	29,366	24,119	29,438
Bonuses and profit sharing payable	3,749	3,949	3,749	3,949
Taxes and social security	**624,938**	**517,308**	**634,857**	**523,216**
Taxes and contributions payable	50,243	41,314	51,641	42,335
Reserve for taxes and social contribution	169,590	80,579	176,664	84,031
Reserve for deferred taxes and contributions (Note 22 (b2))	11,635	9,409	11,636	9,440
Reserve for tax contingencies (Note 14 (b))	393,470	386,006	394,916	387,410
Trading and intermediation of securities	**-**	**-**	**2,053**	**4,223**
Trading and intermediation of securities	-	-	2,053	4,223
Financial and development funds	**4,444,611**	**4,139,986**	**4,444,611**	**4,139,986**
Payables for financial and development funds (Note 21 (a))	4,425,023	4,120,636	4,425,023	4,120,636
Other	19,588	19,350	19,588	19,350
Sundry	**882,841**	**814,290**	**952,697**	**855,064**
Cashier's check	18,536	14,363	18,536	14,363
Creditors for unreleased funds	60,079	41,730	60,287	41,937
Payables for acquisition of assets and rights	3,750	3,751	3,813	3,847
Liabilities under government agreements	19,366	15,029	19,366	15,029
Accrued vacation and related charges	208,131	181,293	200,870	152,938
Actuarial deficit of Fundação Banrisul (NOTE 23)	63,054	58,648	63,054	58,648
Reserve for labor contingencies (NOTE 14 (b))	111,894	96,599	123,073	111,571
Brazilian Central Bank fines on foreign exchange transactions (NOTE 14 (b))	115,381	111,105	115,381	111,105
Reserve for social security contingencies (Note14 (b))	18,783	18,783	18,783	18,783
Reserve for securitization losses (*)	4,907	7,429	4,907	7,429
Reserve for civil risk (Note 14 (b))	9,575	7,200	9,575	7,200
Reserve for debts assumed with Grupo de Empresas Seguradoras Brasileiras (GESB) arising from Companhia União de Seguros Gerais	7,213	7,538	7,213	7,538
FGTS (Severance Pay Fund) for amortization	3,458	2,569	3,458	2,569
Sundry creditors – Domestic	104,949	85,386	169,593	138,555
Card transactions payable	76,714	56,161	76,714	56,161
Other	57,051	106,706	58,074	107,391
Total Other Payables	**6,022,554**	**5,557,478**	**6,104,471**	**5,608,455**
Current Liabilities	**5,468,951**	**5,004,932**	**5,550,378**	**5,055,446**
Long-Term Liabilities	**553,603**	**552,546**	**554,093**	**553,009**

(*) The management of the Bank maintains provision for co-obligation of securitized receivables with the National Treasury, in the amount of R$40,053 thousand (2009 – R$43,462 thousand), controlled in a memorandum account, which are the responsibility of agricultural borrowers.

NOTE 14 Reserves for Contingent Assets and Contingent Liabilities

In the normal course of their activities, Banrisul and its subsidiaries are party to tax, labor and civil lawsuits at the judicial and administrative levels.

The provisions were calculated based on the opinion of the legal counselors, based on the best measurement models and benchmarks available, despite the inherent uncertainty as to the outcome. Banrisul records a reserve in the total amounts involved in lawsuits that have been assessed as probable loss.

Management believes that the reserves are sufficient to cover any losses arising from lawsuits.

(a) Contingent Assets

As of December 31, 2010 no contingent assets were recorded and there are no lawsuits in progress whose likelihood of an favorable outcome is probable.

(b) Changes in Provisions for Contingent Assets

Banrisul					In Thousands of Reais
	Tax	Labor	Civil	Other	Total
Inicial Balance at 12/31/2009	**386,006**	**96,599**	**7,200**	**129,888**	**619,693**
Recognition and Inflation Adjustment	17,081	90,383	2,716	4,276	114,456
Payment	(9,617)	(75,088)	(341)	-	(85,046)
Closing Balance at 31/12/2010	**393,470**	**111,894**	**9,575**	**134,164**	**649,103**
Guaranteed Deposits (Note 08)	-	94,774	49,050	18,558	162,382

Banrisul Consolidated					In Thousands of Reais
	Tax	Labor	Civil	Other	Total
Inicial Balance at 12/31/2009	**387,410**	**111,571**	**7,200**	**129,888**	**636,069**
Recognition and Inflation Adjustment	17,123	90,383	2,716	4,276	114,498
Reversal of Reserves	-	(3,031)	-	-	(3,031)
Payment	(9,617)	(75,850)	(341)	-	(85,808)
Closing Balance at 31/12/2010	**394,916**	**123,073**	**9,575**	**134,164**	**661,728**
Guaranteed Deposits (Note 08)	1,444	103,746	50,467	18,558	174,215

(c) Tax Contingencies

Provisions for tax contingencies relate primarily to liabilities related to taxes whose legality or constitutionality is being challenged at the administrative or judicial levels, whose likelihood of loss is or has been considered as probable and are recognized at the full amont under dispute.

For lawsuits collateralized by escrow deposits, the amounts involved are not adjusted for inflation. When legal permits are issued as a result of a favorable outcome, the amounts are adjusted for inflation and withdrawn.

The main tax contingency refers to the income tax and social contribution on the deduction of expenses arising from the settlement of the actuarial deficit of the Banrisul Foundation, challenged by the Federal Revenue Service from 1998 to 2005 in the amount of R$393,470 thousand. The Bank, through its legal counsel, has been discussing the matter in court and, on a conservative basis, recorded a reserve for contingencies in the amount of the probable loss.

(d) Labor Contingencies

Refer to lawsuits filed by unions and former employees claiming labor rights, in particular the payment of overtime and other labor rights.

Recognized for labor claims filed against Banrisul when a court notification is received and the likelihood of loss is considered as probable. The reserve is calculated according to the disbursement estimated by our management, timely reviewed based on data received from

our legal counsel, and adjusted to the escrow deposit when required. Of the aforementioned reserve, R$78,756 thousand (consolidated - R$87,728 thousand) has been deposited in a escrow account. Additionally, R$16,018 thousand was required related to escrow deposits for appeals.

There are labor claims whose likelihood of loss, according to their nature, is considered by the Bank as possible, in the approximate amount of R$42,000 thousand. In accordance with accounting practices, no reserve for contingencies was recorded.

(e) Civil Contingencies

Lawsuits for damages refer to compensation for property damage and/or pain and suffering, related to consumption relationships, in particular, matters relating to credit cards, consumer credit, checking accounts, banking collection and loans.

Recognized when a court notification is received and adjusted monthly based on the claimed, proofs producedand the assessment of the legal counsel, which considers jurisprudence, factual information gathered, proofs produced and court decisions on the lawsuit, taking into account the risk of loss of the claim.

There is also an amount of R$49,050 thousand included in the balance of escrow deposits related to deposits made in conection to claims filed by third parties against the Bank, whose likelihood of loss is classified by our legal counsel as possible and remote.

(f) Other

i) On September 29, 2000, Banrisul received an assessment notice from the Central Bank of Brazil in connection with administrative proceedings filed by that authority related to supposed irregularities in foreign exchange transactions between 1987 and 1989. In an appeal decision at the administrative level, Banrisul was required to pay a fine equivalent to 100% of the amount of the supposedly irregular transactions. This decision is being challenged in court by Management, which, on a conservative basis and in compliance with BACEN requirements, recorded a reserve in the amount of R$115,381 thousandfor this contingency.

ii) INSS tax assessment notice related to social security contribution on compensation other than salary and on education allowance, whose likelihood of loss is classified by our legal counsel as problably. A reserve in the amount of R$18,783 thousand was recorded.

NOTE 15 Income from Services Rendered

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Funds Management	56,494	52,933	63,185	58,566
Collection of Debt Instruments	43,195	40,088	43,464	40,096
Income from Refeisul	-	-	21,680	17,380
Income from Group Financing Management Fee	-	-	12,051	10,874
Income from Brokerage of Operations	-	-	4,272	4,253
Other Income	930	908	6,529	6,294
Total	**100,619**	**93,929**	**151,181**	**137,463**

NOTE 16 Income from Bank Fees

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Banricompras	85,917	69,138	85,917	69,138
Check Returns	18,611	20,079	18,611	20,079
Checking Account Debits	21,756	20,088	21,756	20,088
Collection Services	58,157	55,880	58,157	55,880
Transactions with Checks	14,589	12,510	14,589	12,510
Bank Fees from Checking Accounts	248,538	225,815	248,538	225,815
Credit Card	12,181	11,335	12,181	11,335
Other Income from Fees	30,742	27,036	30,731	27,033
Total	**490,491**	**441,881**	**490,480**	**441,878**

From the income amount of R$490,491 thousand for year the year ended December 31, 2010, R$242,036 thousand (2009 – R$229,723 thousand) arise from operations with individuals and R$248,455 thousand (2009 – R$212,108 thousand) from operations with legal entities.

NOTE 17 Other Administrative Expenses

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Data Processing and Telecommunication	147,829	135,158	152,588	138,725
Security and Money Transportation	75,653	76,268	75,653	76,268
Amortization and Depreciation	109,004	92,943	109,728	93,779
Rentals	53,177	47,340	51,619	45,930
Supplies	22,908	19,483	22,975	19,534
Outside Services	122,519	106,853	125,327	109,114
Advertising, Promotions and Publicity (*)	102,337	99,538	104,079	100,398
Maintenance	23,657	19,794	23,852	20,105
Water, Electricity and Gas	17,690	17,897	17,913	18,092
Financial System Services	20,030	16,669	20,929	17,400
Other	36,786	37,902	38,563	39,540
Total	**731,590**	**669,845**	**743,226**	**678,885**

(*) Comprises mainly institutional advertising of R$37,675 thousand (2009 - R$51,685 thousand) and sponsorship of sport events and clubs of R$53,598 thousand (2009 - R$39,141 thousand).

NOTE 18 Other Operating Income

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Recovery of Charges and Expenses	49,099	47,662	47,962	42,899
Reversal of Operating Reserves for:				
- Labor	-	-	3,031	-
- Reserve for Securitization Losses (Note 13)	3,167	5,510	3,167	5,510
- Other Receivables without Credit Characteristics	33,252	4,572	33,252	4,572
Other Taxes Without Credit Characteristics	61	42	61	42
Commission on Capitalization Cerficates	3,070	3,293	3,070	3,293
Interbank Fees	21,020	21,085	21,020	21,085
Credit Notes Receivable	9,953	5,707	9,953	5,707
Reserve Fund - Escrow Deposit - Law no. 12069	16,782	15,122	16,782	15,122
Insurance - Commission and Placement Administration Fee	2,374	1,750	2,374	1,750
Other Operating Income	67,423	39,478	68,231	43,731
Total	**206,201**	**144,221**	**208,903**	**143,711**

NOTE 19 Other Operating Expenses

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Discount Granted from Renegotiations	7,497	5,526	7,497	5,526
Reserves for Labor Provisions (Note 14 (b))	90,383	59,679	90,383	64,370
Provision for Properties - Assets not in use	3,298	962	3,298	962
Provision for Securitization Losses	645	831	645	831
Provision for Civil Lawsuits (Note14 (b))	2,716	1,783	2,716	1,783
Collection of Federal Taxes	2,345	1,813	2,345	1,813
Inflation Adjustment of Reserve for Tax Contingencies (Social Contribution / Income Tax) - (Note 14 (b))	17,081	18,587	17,123	18,587
Lawsuits Indemnifications	7,762	4,365	7,762	4,365
Inflation Adjustment of Brazilian Central Bank fines on Foreign Exchange (Note 14 (b))	4,276	4,612	4,276	4,612
Inflation Adjustment of Actuarial Deficit of Fundação Banrisul (Note 23)	9,825	2,505	9,825	2,505
Overdraft Accounts and Banricompras Premiável	704	770	704	770
Provision for Debts Assumed with GESB	1,046	457	1,046	457
Exchange Adjustment - Foreign Branches	4,961	38,215	4,961	38,215
Lawsuits	7,396	5,677	7,396	5,677
Cards	3,851	3,875	3,851	3,875
Other Operating Expenses (*)	20,427	71,826	21,538	73,293
Total	**184,213**	**221,483**	**185,366**	**227,641**

(*) In the year ended December 31, 2009, the amount of R$39,124 thousand refers mainly to the payment of mandatory allocation of savings deposits from prior years.

NOTE 20 Shareholders' Equity - Banrisul

(a) Capital

Fully subscribed paid-up capital as of December 31, 2010 is R$2,900,000 thousand and it is represented by 408,974 thousand shares without par value as follows:

	ON		PNA		PNB		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Rio Grande do Sul State	204,199,859	99,59	2,721,484	74,25	26,086,957	13,03	233,008,300	56,97
Fundação Banrisul de Seguridade Social (pension plan)	449,054	0,22	158,983	4,34	-	0,00	608,037	0,15
Social Security Institute of Rio Grande do Sul State	44,934	0,02	168,612	4,60	-	0,00	213,546	0,05
Market	349,527	0,17	616,280	16,81	174,178,787	86,97	175,144,594	42,83
Total	**205,043,374**	**100,00**	**3,665,359**	**100,00**	**200,265,744**	**100,00**	**408,974,477**	**100,00**

The Extraordinary Shareholders' Meeting held on April 30, 2010 approved a capital increase by using the earnings reserve in the amount of R$300,000 thousand, with no issuance of new shares, already homologated by BACEN.

Preferred shares do not carry voting rights and are entitled to the following payments:

Class A Preferred Shares:

i) Priority to receive a non-cumulative, preferred fixed dividend of six percent (6%) p.a., calculated over the quotient resulting from the division of capital by the number of shares composing it;

ii) Right to take part, after the payment to Class B Common and Preferred Shares of a dividend equal to that paid to those shares, in the distribution of any other dividends or bonuses in cash distributed by the Bank, under equal conditions with Class B Common and Preferred Shares, adding ten percent (10%) over the amount paid to those shares;

iii) Interest in capital increases deriving from the capitalization of reserves, under equal conditions of Class B Common and Preferred Shares and

iv) Priority in capital reimbursement, without premium.

Class B Preferred Shares:

i) Interest in capital increases deriving from the capitalization of reserves, under equal conditions of Class A Common and Preferred Shares and

ii) Priority in capital reimbursement, without premium.

(b) Allocation of Income

Net Income for the year, adjusted in accordance with Law no. 6404/76, will have the following allocations: (i) 5% to the Legal Reserve, which will not exceed 20% of Capital, (ii) 25% to the Statutory Reserve, and (iii) mandatory minimum dividends up to the limit of 25% of adjusted net income. The remaining net income will be allocated as decided in the Shareholders´ Meeting.

The Statutory Reserve is intended to ensure funds for investments in the information technology area, and is limited to 70% of paid-up capital.

In April 30,2010, the Ordinary and Extraordinary Shareholders' Meeting ratified and approved the proposal for the distribution of additional dividends for 2009 and 2010, equivalent to 15% of the Adjusted Net Income, totaling 40%.

The pay-out policy adopted by Banrisul aims to pay interest on capital in the maximum deductible amount calculated in accordance with prevailing legislation, whith are included net of whithholding income tax in the calculation of mandatory dividends for the fiscal year, as stated in our by-Laws.

As permitted by Law no. 9249/95 and CVM Resolution no. 207/96, Banrisul's management paid interest on capital in the amount of R$193,327 thousand net referring to the year 2010, to be credited to dividends, net of withholding income tax.

The payment of this interest on capital resulted in a tax benefit for the Bank in the amount of R$81,943 thousand (2009 – R$75,610 thousand) (Note 22).

The payment of interest on capital and dividends, as follows:

	In Thousands of Reais	
	2010	2009
Net Income	**741,242**	**541,096**
Adjustment		
Legal Reserve	(37,062)	(27,055)
Calculation Basis of Dividends	**704,180**	**514,041**
Minimum Mandatory Dividend 25%	176,045	128,510
Complementary Dividend 15%	105,627	77,106
Total Dividends	**281,672**	**205,616**
A) Interest on Capital Paid	**193,327**	**179,201**
Common Shares (R$ 500,83993 per thousand shares)	102,694	94,754
Preferred Shares A (R$508,37848 per thousand shares)	1,896	1,813
Preferred Shares B (R$500,83993 per thousand shares)	100,268	92,458
Income Tax Withheld at Source	(11,531)	(9,824)
B) Dividends Paid	**65,000**	**-**
Common Shares (R$158,79164 per thousand shares)	32,559	-
Preferred Shares A (R$174,6708 per thousand shares)	641	-
Preferred Shares B (R$158,79164 per thousand shares)	31,800	-
C) Dividends Provisioned	**23,345**	**26,415**
Common Shares (R$57,03043 per thousand shares)	11,694	13,231
Preferred Shares A (R$62,73347 per thousand shares)	230	273
Preferred Shares B (R$57,03043 per thousand shares)	11,421	12,911
Total Interest on Capital and Dividends (A+B+C)	**281,672**	**205,616**

NOTE 21 Commitments, Guarantees and Other

(a) On April 22, 2004, State Law no. 12069, amended by Law no. 12585 of August 29, 2006, was approved, under which the Bank must make available, when required, to Rio Grande do Sul State up to 85% of the escrow deposits made by third parties with the Bank (except for those in which the litigant is a municipality). The remaining amount not available is recorded in a reserve fund to ensure the refund of said escrow deposits. As of December 31, 2010, the amount of escrow deposits made by third parties with the Bank, adjusted through the balance sheet date by the TR (managed prime rate) variation plus interest of 6.17% p.a., totaled R$6,468,023 thousand (2009 – R$6,163,636 thousand), of which R$2,043,000 thousand (2009 – R$2,043,000 thousand) was transferred to the State upon its request and written off from the respective equity accounts. The remaining balance, which makes up the aforementioned fund managed by Banrisul, is recorded in Other Payables - Financial and Development Funds (Note 13).

(b) Sureties and guarantees granted to customers amount to R$507,513 thousand (2009 – R$579,811 thousand), and are subject to financial charges and backed by the beneficiaries' sureties.

(c) The Bank is responsible for the custody of 439,491 thousand securities of customers (2009 – 367,837 thousand).

(**d)** The Bank has co-obligations in import credits in the amount of R$51,853 thousand (2009 – R$55,860 thousand).

(e) The Bank manages various funds and portfolios, which have the following net assets:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Investment funds (*)	5,267,017	4,813,088	5,284,694	4,990,717
Investment funds in investment fund quotas	119,164	85,623	252,111	85,623
Fund to Guarantee the Liquidity of Rio Grande do Sul State Debt Securities	229,362	936,447	229,362	936,447
Managed portfolios	485,387	415,939	499,414	431,739
Credit Rights Investment Fund	-	24,140	-	24,140
Investment Clubs	-	-	1,588	433
Total	**6,100,930**	**6,275,237**	**6,267,169**	**6,469,099**

(*) The investments fund portfolios consist basically of fixed-rate and variable rate government bonds, and their carrying amounts already reflect mark-to-market adjustments at the balance sheet date.

(f) The subsidiary Banrisul S.A. Administradora de Consórcios is responsible for the management of 122 consortium groups (108 in 2009, September), distributed among real estate, motorcycles, vehicles and tractors, gathering 23,382 active consortium members (20,186 in 2009).

(g) The Bank rents properties, manly used for branches, based on standard contracts which may be cancelled as its own criterion and include the right to opt for renewal and adjustment clauses, classified as operating lease. Total future minimum payments of not-cancelable rent as of December 31, 2010 is R$115,862 thousand, of which R$33,400 thousand matures in up to one year, R$69,837 thousand from one to five years and R$12,625 thousand over five years. Payments for operating leases, recognized as expenses for the year 2010, were R$48,796 thousand.

NOTE 22 Income Tax and Social Contribution

(a) Conciliation of Expenses/Revenue with Income Tax and Social Contribution

In Thousands of Reais

	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Income for the Period before Taxes and Profit Sharing	**1,128,210**	**837,762**	**1,147,824**	**853,267**
Income Tax on Profit - Rate 25%	(282,053)	(209,441)	(286,956)	(213,317)
Social Contribution on Profit - Rate 9%	-	-	(1,345)	(922)
Social Contribution on Profit - Rate 15%	(169,232)	(125,664)	(169,932)	(126,453)
Total Income Tax and Social Contribution calculated at Effective Rate	**(451,285)**	**(335,105)**	**(458,233)**	**(340,692)**
Adjustment of Fine on Foreign Exchange Operations	(1,710)	(1,845)	(1,710)	(1,845)
Profit Sharing	19,709	17,750	19,709	17,750
Interest on Capital	81,943	75,610	81,943	75,610
Equity in Subsidiaries and Foreing Exchange Adjustment on Branches	13,593	(4,276)	(1,985)	(15,286)
Other Additions, Net of Exclusions	54	(4,424)	3,220	(3,134)
Total Income Tax and Social Contribution	**(337,696)**	**(252,290)**	**(357,056)**	**(267,597)**
Current	354,360	255,661	372,518	270,923
Deferred	(16,664)	(3.371)	(15,462)	(3,326)

(b) Deferred Income Tax and Social Contribution

In December 2010, the Bank had Deferred Income Tax and Social Contribution Credits on temporary differences as follows:

(b1) Tax credits

Tax credit balances, by origin and disbursements made, are as follows:

Banrisul — In Thousands of Reais

	Balance on 12/31/2009	Recognition	Realization	Balance on 12/31/2010
Allowance for loan losses	432,370	210,128	189,886	452,612
Reserve for labor contingencies	38,640	36,153	30,035	44,758
Reserve for tax contingencies	70,059	10,816	3,983	76,892
Other temporary provisions	56,967	1,759	16,062	42,664
Total tax credits on temporary differences	**598,036**	**258,856**	**239,966**	**616,926**
Unrecorded credits	(23)	-	-	(23)
Total tax credits recorded	**598,013**	**258,856**	**239,966**	**616,903**
Deferred tax liabilities	(9,409)	(2,292)	(66)	(11,635)
Tax credits, net of deferred liabilities	**588,604**	**256,564**	**239,900**	**605,268**

Banrisul Consolidated — In Thousands of Reais

	Balance on 12/31/2009	Recognition	Realization	Balance on 12/31/2010
Allowance for loan losses	432,370	210,128	189,886	452,612
Reserve for labor contingencies	43,730	36,827	31,998	48,559
Reserve for tax contingencies	70,536	10,831	3,983	77,384
Other temporary provisions	56,967	1,759	16,020	42,706
Total tax credits on temporary differences	**603,603**	**259,545**	**241,887**	**621,261**
Unrecorded credits	(23)	-	-	(23)
Total tax credits recorded	**603,580**	**259,545**	**241,887**	**621,238**
Deferred tax liabilities	(9,440)	(2,295)	(99)	(11,636)
Tax credits, net of deferred liabilities	**594,140**	**257,250**	**241,788**	**609,602**

Expected realization of these receivables are as follows:

					In Thousands of Reais
				Banrisul	Banrisul Consolidated
	Temporary Differences				
Year	Income Tax	Social Contribution	Total	Total Recorded	Total Recorded
2011	131,707	79,022	210,729	210,729	211,151
2012	104,128	62,477	166,605	166,605	166,985
2013	87,010	52,206	139,216	139,216	140,088
2014	48,300	28,980	77,280	77,280	77,660
2015	11,781	7,069	18,850	18,850	19,230
2016 to 2018	2,344	1,407	3,751	3,751	4,892
2019 to 2021	295	177	472	472	1,232
After 2021	14	9	23	-	-
Total on 12/31/2010	**385,579**	**231,347**	**616,926**	**616,903**	**621,238**
Total on 12/31/2009	**373,772**	**224,264**	**598,036**	**598,013**	**603,580**

The total consolidated present value of tax credits is R$520,442 thousand, calculated based on the expected realization of temporary differences at average funding rate projected for the corresponding periods.

(b2) Deferred Tax Liabilities

The balance of the Reserve for Deferred Taxes and Contributions is represented by:

				In Thousands of Reais
	Banrisul		Banrisul Consolidated	
	2010	2009	2010	2009
Excess Depreciation	(11,626)	(9,332)	(11,626)	(9,332)
Available for Sale Securities	(9)	(12)	(9)	(12)
Adjustment to Fair Value of Trading Securities	-	(65)	(1)	(96)
Total	**(11,635)**	**(9,409)**	**(11,636)**	**(9,440)**

NOTE 23 Fundação Banrisul de Seguridade Social and Cabergs - Caixa de Assistência dos Empregados do Banco do Estado do Rio Grande do Sul

Banrisul is the main sponsor of Fundação Banrisul de Seguridade Social ("Fundação Banrisul"), which is mainly engaged in supplementing the benefits covered and provided by the Social Security to the employees of the Bank, Banrisul Serviços, and Cabergs, and carrying out social security programs promoted by its sponsors.

On July 6, 2009, a new retirement benefit plan named Banrisulprev was approved and has been offered to non members of the Benefit Plan I since then. This new variable contribution benefit plan became effective in November 2009. As a result of the implementation of this new plan, new members are no longer allowed to join the Benefit Plan I.

To attain its objectives, Fundação Banrisul receives monthly contributions from its sponsors and participants, which are calculated based on the monthly compensation of employees and their beneficiaries. The Bank's contribution amount of R$11,761 thousand (2009 - R$11,247 thousand) for the year, which, as of December 31, 2010, corresponds to 3,51% (2009 – 3,63%) of the monthly payroll of employees' contribution salaries, was recorded in operating expenses.

Benefit Plan I - In the defined benefit type, Benefit Plan I provides retirement and survivorship benefits, sick pay, inmate pension, funeral allowance and annual bonus.

The active participant's normal contribution corresponds to the monthly amount equivalent to the result of the application of the following fees:

a) Fixed general percentage of 3% applicable to the contribution salary;

b) First additional percentage of 2% applicable to the contribution salary surplus (if any) on half of the highest Social Security benefit salary; and
c) Second additional percentage of 7% applicable to the contribution salary surplus (if any) on the highest Social Security benefit salary.

Banrisul's remaining portion of the contracted debt related to this plan in the amount of R$63,054 thousand as of December 31, 2010 (2009 – R$58,648 thousand) is recorded in Other Payables (Note 13). In addition to this deficit, Banrisul pays interest of 6% per year with final maturity in 2028, which is monthly adjusted based on the General Price Index – Domestic Availability (IGP-DI), through monthly adjustments and payments, and final maturity in 2028.

Banrisulprev - In the variable contribution type, Banrisulprev provides benefits with defined contribution characteristics, such as regular retirement, early retirement and funeral allowance, and benefits with defined benefit characteristics, such as disability retirement, proportional benefits, sick pays, annual bonus, minimum benefit and survivorship benefit.

The participant's normal contribution is comprised of three portions:
a) Basic portion: 1% on the contribution salary;
b) Additional portion: may vary from 1% to 7.5% on the contribution salary portion that exceeds 9 reference units; and
c) Variable portion: percentage applied on the contribution salary annually established by the actuary to cover 50% of the costs of risk benefits and the plan's administrative expenses.

In addition to the regular contribution, the participant may opt to make a contribution not lower than 1 reference unit and not paid by the sponsor.

The Bank's contributions are equal to the participants' normal contributions.

Medical and dental care - Banrisul offers medical and dental care to its employees and Fundação Banrisul's retirees through Cabergs.

As of December 31, 2010, the actuarial appraisal of post-employment benefits related to defined benefits, Banrisulprev and health care granted to its employees was as follows:

				In Thousands of Reais
	Benefit Plan I	Banrisulprev Plan	Medical and Dental Care	Total
Present obligation of actuarial obligations	(2,787,358)	(2,696)	(129,621)	(2,919,675)
Fair value of Fundação Banrisul's assets	2,636,530	1,977	110,322	2,748,829
Gains /Losses and cost of unrecognized services	508,241	672	28,707	537,620
Actuarial assets (liabilities)	**357,413**	**(47)**	**9,408**	**366,774**

The main actuarial assumptions used as December 31, 2010 are as follows:

- Discount rate: 10.77% p.a.
- Expected return rate of pension plans' assets:
    - Defined benefit plan: 13.28% p.a.
    - Variable contribution plan: 12.01% p.a.
    - Medical and dental care: 10.69% p.a.
- Future salary increase rate: 6.59% p.a.
- Increase in average costs: 7.64% p.a.
- Inflation: 4.50% p.a.
- Mortality table: AT – 2000.

NOTE 24 Financial Instruments and Financial Risks Management

Risk management is an essential, strategic tool for the Bank. The inherent risks comprise from those easily identifiable, such as market, liquidity and credit risks, to those which are not directly identified as such, but also of extreme importance, such as operating and reputational risk, among others.

Banrisul seeks to align its activities with the standards set forth by the New Capital Accord - Basel II, by adopting best market practices to maximize profitability and to ensure the best possible combination of investments in assets and use of required capital. The systematic improvement of risk policies, internal control systems and security standards aligned with the Bank's strategic and market objectives are ongoing processes.

Credit risk: it is the possibility of the Bank incurring losses related to the nonperformance of a loan or financial obligation by the counterparty under the agreed terms.

The Bank's risk assessment structure is based on the principle of joint technical decision. The Bank defines different credit limits corresponding to the decision levels comprising from the widespread branch network (with various categories) to the credit and risk committees at the Head Office. This process aims at expediting the concession of credit based on technically predefined limits, which establish the Bank's risk exposure for every customer, in conformity with the risk/return ratio.

The continuous, increasing use of statistical methodologies for assessing customers' risks, with the standardization of credit and business policies along with the optimization of the controls over registry information through a certification model, increased and strengthened risk assessments. The use of credit score and behavior score systems allowed establishing reapproved credit limits to individuals according to the risk ratings described in the statistical models, which are conceptually more appealing when dealing with mass credit.

For the corporate segment, the Bank evaluates companies under the financial, management, market and production standpoint, with periodic reviews that also take into account current and future economic and competitive environments, adding companies to them. The management of the credit risk exposure is based on a selective, conservative approach, pursuant the strategies set by the Bank's management and technical areas.

(a) Credit Risk Assessment

Direct Lending and Onlendings by Financial Agents - The Bank analyzis the potential default of each counterparty by using classification tools designed for different categories of counterparties. Such internally developed tools combine statistical analysis with the review of the credit area, and are validated, when appropriate, by comparison with external available data. The classification tools are reviewed and updated when necessary. Frequently, Management validates the classification performance and its predictive power with respect to default events.

Default exposure is based on the amounts that may be due to the Bank at the time of default, e.g., in the case of a loan, it corresponds to the notional amount. Loan commitments include all amounts withdrawn in excess of the amount that may be withdrawn at the time of default, if any.

Default loss or loss extent represents the Bank's expectation regarding the amount of the loss resulting from an action, should the default occurs. This amount is expressed as percentage loss per unit of exposure and typically varies in accordance with the the category of the counterparty, the type and level of the action and the availability of collaterals or credit mitigation instruments.

(b) Risk Limit Control and Mitigation Policies

The Bank manages, limits and controls credit risk concentrations whenever they are identified - particularly in relation to counterparties and groups.

Management manages assumed risk levels by setting limits on the extent of acceptable risk in relation to a specific borrower, or groups of borrowers and industry segments. These risks are continuously monitored and subject to annual or more frequently reviews when necessary. The limits on the level of credit risk by product and industry sector are approved by the management and by the Board of Administration, if applicable.

In the case of a counterparty, the exposure to any borrower, including financial agents, is additionally restricted by sublimits that cover exposures recorded or not in the financial statemens. The actual exposures in accordance with the established limits are monitored on a monthly basis.

The credit risk exposure is also managed through the regular analysis of borrowers, current and future, with respect to payments of principal and interest and change in limits when appropriate.

c) Credit Related Commitments

Credit related commitments represent unused portions of established limits by the counterparty, normally attributed to working capital, overdraft accounts, credit cards, among others. They also refer to contracts whose funds will be released upon fulfillment of any contractual condition, pursuant to the construction schedule, such as in some real estate agreements.

The contractual amount represents the maximum credit risk in such transactions, if the counterparty actually uses the fund available. However, the exposure to losses resulting from these contracts is lower than the total funds to be released, since part of these commitments expires without being entirely used, either by customer's decision or at the Bank's discretion which adopts criteria for the availability of these funds, as set forth in certain contractual clauses.

Market risk: the Bank is exposed to market risks inherent in its trading activities, through borrowings and loans / financing contracted based on various types of indexes. The Bank has an ongoing portfolio, management process, that encompasses the control over all positions exposed to market risks, according to business objectives and better performance achievement.

This process takes into consideration factors that could adversely affect and change assets and liabilities, including changes in interest and exchange rates, loss of the capacity of receiving deposits and loss of customers to competitors, as well as other restrictions on lending and investing activities that may affect the fair value of products and securities, as established by regulatory measures issued by the monetary authorities.

The main component of market risk measurement includes an estimate of potential losses under adverse market conditions, for which the Value at Risk (VaR) methodology is used. VaR is a measure of the maximum expected loss on monetary values under normal market conditions, within a ten-day period, with a desired level of probability of 99% used to measure market risk exposures of portfolios.

Additionally, due to the limitation of the VaR methodology, scenario analysis and measures of sensitivity and calibration, stress tests are performed on a quarterly basis, based on specific scenarios for each risk factor in order to confirm the Bank's financial health and its soundness in a potential crisis, in order to protect the Bank's equity and its operating results against such adverse conditions.

Liquidity risk: arises from the potential inability to finance financial asset and perform the required obligations on the respective maturity dates and from difficulties to settle positions in the portfolio without incurring significant losses. Banrisul's liquidity risk is managed by analyzing cash flows projections, based on different market scenarios. For asset positions, the growth of the credit portfolio and the settlement of financial instruments are taken into account. For liabilities, the assumptions adopted include the possibility of making early redemptions and also lower-than-expected funding rollover.

The Corporate Risk Unit is responsible for managing Banrisul's consolidated liquidity, in order to monitor the availability of funds to meet the Bank's financial needs from the point of view of funding and allocation, business and performance and business references, to avoid significant misadjustments which could jeopardize the Institution's liquidity and budget planning. Banrisul's controls are kept on a preventive standpoint, calculated according to the rules of Resolution no. 2804/00 and Circular no. 3393/0, that establish monitoring consistent with the positions assumed in financial markets, in order to emphasize the liquidity risk arising from such exposures. Daily Cash Flow, Portfolio Position Map, Maturity and Currency Mismatch Map and Duration Maps, among other reports, are prepared to assist with the monitoring of these positions. This information is made available on a daily basis to the CFO and to the Market Risk Officer.

The Market and Liquidity Risk Report is monthly prepared, including the main events during the period to highlight current guidelines and policies and ensure compliance with exposure limits for market and liquidity risks, through the approval of the Banking Management and Economic Committees, the Board of Executive Officers and the Board of Administration.

Derivatives: Banrisul has not entered into "target forward swap" transactions or any other leveraged derivative since its policies do not provide for non-hedging transactions for its assets and liability positions.

On December 7, 2010, the Bank amended its contracts, thus canceling its positions in derivatives – swap transactions – in effect as of December 31, 2009, as described in note 05.

Sensitivity analysis: The Bank has no derivatives transactions in its portfolio as of December 31, 2010, therefore the sensitivity analysis table is not disclosed herein.

NOTE 25 Transactions with Related Parties

Banrisul's commercial relations with the Rio Grande do Sul State Government and its subsidiaries, Companhia Estadual de Energia Elétrica (CEEE), Companhia Rio-Grandense de Saneamento (CORSAN), Companhia de Gás do Rio Grande do Sul (SULGÁS), Centrais de Abastecimento do Rio Grande do Sul S.A. (CEASA), Companhia Estadual de Silos e Armazéns (CESA), Companhia Rio-Grandense de Artes Gráficas (CORAG), Companhia Rio-Grandense de Mineração (CRM), Companhia de Indústrias Eletroquímicas - CIEL and Companhia de Processamento de Dados do Estado do Rio Grande do Sul (PROCERGS), are described below:

Rio Grande do Sul State Government - On June 29, 2007, Cooperation Agreement no. 1959/2007 was entered into between Banrisul and Rio Grande do Sul State Government, under which Banrisul will provide to the Government, on an exclusive basis and for a five-year period, banking services related to the payment of active and inactive servants, lifetime and special pensioners of the Executive Branch (Direct Administration), and pension plan pensioners (Social Security of the Rio Grande do Sul State – IPERGS) and the Government gives the Bank the right to grant payroll loans. In view of the reciprocity of services provided, under this Agreement Banrisul releases the Rio Grande do Sul State Government from costs

related to the provision of banking services, such as the collection of revenue and state taxes, debt to bank account, FGTS (severance pay fund) statement and mortgage loan collection services.

The Bank also provides services related to the financial transfers made by the government departments of amounts related to social programs and updates information related to inactive servants and holders of special or lifetime pension plans of the Direct Administration. These services are not paid.

The Bank also pays the suppliers of the Public Finance System and processes changes related to the Cash Management Integrated System (SIAC), which is responsible for centralizing in one bank account the cash and cash equivalents of the Direct and Indirect State Administration and its subsidiaries. These services are not paid.

The Bank provides other services to foundations and government agencies, such as payment services through payment forms and the supply of meal and fuel tickets. For the year ended December 31, 2010, these services generated fees in the amount of R$8,833 thousand. The Bank offers a solution for the management of e-commerce through the Compras Pregão On Line portal. This service is not paid.

The Bank purchased FCVS credit rights, as described in note 06, and receivables assignment agreements in the amount of R$616,536 thousand. These credit rights were originally purchased at a discount and simultaneously hedged through a exchange rate swap contract to the Selic index variation. On December 7, 2010, in order to simplify the structure of such transaction and the cash flows generated in the settlement dates, the parts amended the contract, as defined in note 05. The changes did not affect the Bank's net income for the year.

For the year ended December 31, 2010, the Bank's lease agreements on the State Government's properties generated expenses in the amount of R$1,095 thousand.

Also, the Bank has with the State Government an agreement whereby the State Government assigned 9 employees from the dissolved Caixa Econômica Estadual to the Bank and received 13 employees to work in Government departments and foundations. These employee-related costs are refunded by the parties.

Companhia Estadual de Energia Elétrica (CEEE) -The Bank is responsible for the provision of banking services related to personnel payment, including payroll loan operations. The payment of consumption accounts issued by CEEE and the supply of meal and fuel tickets is also the responsibility of the Bank, which for the year ended December 31, 2010 was paid R$3,622,000 to perform these services. The Bank offers a solution for the management of e-commerce through the Pregão On Line portal.

Companhia Riograndense de Saneamento (CORSAN) - The Bank is responsible for the provision of banking services related to the payment of personnel, including payroll loan operations. The payment of consumption accounts issued by Corsan and the supply of meal and fuel tickets is also the responsibility of the Bank, which for the year ended December 31, 2010 was paid R$3,952,000 to perform these services. The Bank offers a solutions fot the management of e-commerce through the Pregão On Line portal.

The Bank intermediates the implementation of the financial flow expected from the agreements entered into by this company and the National Bank for Economic and Social Development (BNDES). There are no guarantees pledged and/or compensation related to these operations.

SULGÁS, CEASA, CESA, CIEL, CORAG, CRM and PROCERGS - The Bank is responsible for the provision of banking services related to the payment of personnel and has an agreement with SULGÁS, CEASA and CESA for payroll loan operations. Services related to the e-payment issued by these Companies and the supply of meal and fuel tickets is also the responsibility of the Bank, which for the year ended December 31, 2010 was paid R$288,000 to perform these services. The Bank offers a solution for the management of e-commerce through the Pregão On Line portal.

SULGÁS has investments whose yield is indexed to the CDI variation. The Bank intermediates the implementation of the financial flow expected from the agreements entered into by this company and the National Bank for Economic and Social Development (BNDES). There are no guarantees pledged and/or compensation related to these operations.

CaixaRS Agência de Fomento - The Bank is responsible for the provision of banking services related to the payment of personnel, including payroll loan operations. The e-payment services and the supply of meal and fuel tickets is also the responsibility of the Bank, which for the year ended December 31, 2010 was paid R$61,000 to perform these services. The Bank also manages purchases through the Compras Pregão On Line portal.

Based on the Bank's employee assignment agreement, 8 employees were assigned. These employee-related costs are refunded by the parties.

Banco Regional de Desenvolvimento do Extremo Sul (BRDE) - The Bank is responsible for the provision of banking services related to the payment of personnel, including payroll loan operations to employees allocated in the Rio Grande do Sul State and is responsible for e-payment services.

Fundação Banrisul de Seguridade Social - As described in Note 23, the Bank's debt contracted on March 31, 1998, related to the remaining portion of the actuarial deficit, amounts to R$63,054 thousand. This, In addition to this deficit, Fundação Banrisul pays interest of 6% per year with final maturity in 2028, which is monthly adjusted based on the General Price Index – Domestic Availability (IGP-DI).

The Banks contribution to the employees post retirement benefit plan was R$11,761 thousand to Fundação Banrisul in the year ended December, 31 2010 as described in Note 23.

The Bank is responsible for the provision of banking services related to the payment of personnel, and the payment of retirement benefits and pension plans to Fundação Banrisul's beneficiaries. Fundação Banrisul also has an exclusive investment fund managed by the Bank, which earned income of R$328,000 on this service in the year ended December 31, 2010. Investments made by Fundação Banrisul with the Bank earn yield at rates indexed to the CDI variation.

For the year ended December 31, 2010, the Bank's lease agreements on the Fundação Banrisul's properties generated expenses in the amount of R$5,200 thousand.

CABERGS – Caixa de Assistência dos Empregados do Banco do Estado do Rio Grande do Sul S.A. - The Bank provides medical and dental care benefits to its employees and retirees generating expenses during the year ended December 31, 2010, of R$18,192 thousand.

The Bank is responsible for providing banking services related to the payment of staff and suppliers. Cabergs also has an exclusive investment fund managed by the Bank which earned

income of R$128,000 on this service, in the twelve-month period ended in December 31, 2010. Investments made by Cabergs with earn yields at rates indexed to the CDI variation.

The Bank offers a solution for the management of electronic purchases through "Portal de Compras Pregão On Line" this service is not paid.

All interest-bearing transactions were contracted at rates compatible with the third-parties' rates prevailing on the transaction dates.

Transactions with companies and subsidiaries are as follows:

Banrisul — In Thousands of Reais

	Assets (Liabilities)		Income (Expense)	
	2010	2009	2010	2009
Derivatives	-	104,247	(1,321)	23,945
State of Rio Grande do Sul Government	-	104,247	(1,321)	23,945
Collection Services	5,072	5,072	-	-
State of Rio Grande do Sul Government	5,072	5,072	-	-
Other Credits	19,212	10,544	5,491	5,249
State of Rio Grande do Sul Government	13,159	5,621	-	-
Subsidiaries	6,053	4,923	5,491	5,249
Demand Deposits	(262,457)	(180,751)	-	-
State of Rio Grande do Sul Government	(247,656)	(156,309)	-	-
Subsidiaries of State of Rio Grande do Sul Government	(11,499)	(17,353)	-	-
Subsidiaries	(3,302)	(7,089)	-	-
Time Deposits	(233,473)	(181,610)	(11,522)	(10,529)
Subsidiaries	(233,473)	(181,610)	(11,522)	(10,529)
Money Market Funding	(298,247)	(999,841)	(117,694)	(178,246)
State of Rio Grande do Sul Government (*)	(229,361)	(936,445)	(111,750)	(172,705)
Subsidiaries	(68,886)	(63,396)	(5,944)	(5,541)
Other Payables	(94,907)	(103,013)	(12,058)	(13,306)
State of Rio Grande do Sul Government	(22,896)	(15,182)	(1,095)	(1,215)
Banrisul Foundation	(64,308)	(59,108)	(9,385)	(10,655)
Subsidiaries	(7,703)	(28,723)	(1,578)	(1,436)
Total	(864,800)	(1,345,352)	(137,104)	(172,887)

(*) These funds receive 100% of the CDI variation.

Banrisul Consolidated — In Thousands of Reais

	Assets (Liabilities)		Income (Expense)	
	2010	2009	2010	2009
Cash	18,341	19,864	1,710	1,800
State of Rio Grande do Sul Government	18,341	19,864	1,710	1,800
Derivatives	-	104,247	(1,321)	23,945
State of Rio Grande do Sul Government	-	104,247	(1,321)	23,945
Tax Revenues	5,072	5,072	-	-
State of Rio Grande do Sul Government	5,072	5,072	-	-
Other Credits	22,988	12,405	860	787
State of Rio Grande do Sul Government	22,988	12,405	860	787
Demand Deposits	(259,155)	(173,662)	-	-
State of Rio Grande do Sul Government	(247,656)	(156,309)	-	-
Subsidiaries of State of Rio Grande do Sul Government	(11,499)	(17,353)	-	-
Money Market Funding	(229,361)	(936,445)	(111,750)	(172,705)
State of Rio Grande do Sul Government (*)	(229,361)	(936,445)	(111,750)	(172,705)
Other Payables	(87,204)	(74,290)	(10,480)	(11,870)
State of Rio Grande do Sul Government	(22,896)	(15,182)	(1,095)	(1,215)
Banrisul Foundation	(64,308)	(59,108)	(9,385)	(10,655)
Total	(529,319)	(1,042,809)	(120,981)	(158,043)

(*) These funds receive 100% of the CDI variation.

Management Fees

Yearly, the General Shareholders' Meeting resolves on:

a) The total annual compensation of Management, the Board of Administration and the Audit Committee as stated in the Company's Bylaws; and

b) The allowance to cover Complementary Pension Plans Additional on behalf of the Senior Management, included in the Private Pension Plan for the Bank and its subsidiaries' Management and Employees.

In 2010, the fixed maximum annual amount of R$403,000 was defined as compensation and bonuses to individual members of the Board of Administration, Board of Executive Officers, Fiscal Council and Audit Committee.

From of January to December, 2010, the Management compensation is as follows:

	In Thousands of Reais	
Short Term Benefits paid to Senior Management	**2010**	**2009**
Salaries	3,768	2,779
Bonuses	62	59
Social Security	899	642
Total	**4,729**	**3,480**

Banrisul pays in full defined benefit pension plan to administrators who belong to the staff, In the year ended December 31, 2010, contributions to Banrisul Foundation Social Security are summarized as follows:

	In Thousands of Reais	
Post-Employment Benefits	**2010**	**2009**
Defined Contribution Pension Plan	22	17

The Bank contracted a liability insurance for its officers and directors, and paid insurance premium during the year in the amount of R$376 thousand.

Banrisul does not offer any long-term benefits, termination of employment contracts or stock-based compensation for its Senior Management.

Additional information

(1) According to existing legislation, financial institutions may not grant loans or advances to:

a) Directors and members of advisory, administrative or Fiscal Council and the like, as well as their spouses and relatives up to the 2nd degree;

b) Individuals or entities that participate in its Equity, with more than 10%; and

c) legal entities whose capital involved, with more than 10%, the very financial institution, any directors or officers of the institution as well as their spouses and relatives up to the 2nd degree.

Thus, it is not made by the Bank loans or advances to any subsidiary, members of the Board or the Executive Board and their families.

(2) Shareholding

Executive Officers and members of the Board of Administration, the Fiscal Council and Audit Committee had jointly the following Banrisul shareholding as of December 31, 2010.

Shares	**Amount**
Voting Shares	13
Common Shares	3,282
Total Shares	**3,295**

NOTE 26 Impact from the Adoption of the International Financial Reporting Standards

During the process of convergence with international financial reporting standards, some standards and their interpretations were issued by the Accounting Pronouncements Committee (CPC), which will be applicable to financial institutions only when approved by the National Monetary Committee (CMN). Currently, financial institutions and other institutions regulated by the Central Bank should adopt the following pronouncements:

Impairment of Assets (CPC 01);
Statement of Cash Flows (CPC 03);
Related Party Disclosures (CPC 05); and
Reserves, Contingent Liabilities and Contingent Assets (CPC 25).

CMN Resolution no. 3786/09 and the Central Bank of Brasil Official Letters no. 3472/09 and no. 3516/10 established that financial institutions and other institutions authorized to operate by the Central Bank of Brazil, incorporated as a public company or that are required to establish an Audit Committee shall, as of December 31, 2010, annually prepare and disclose up to 120 days after the December 31 reporting date their consolidated financial statements prepared in accordance ith international financial reporting standards (IFRS), and following international pronouncements issued by the IASB – International Accounting Standards Board.

The Bank is currently evaluating the accounting effects of the convergence with IFRS and will complete this process within the timeframe set by the Central Bank of Brazil. The main adjustments identified in this process are:

DESCRIPTION	BR GAAP	IFRS
Pension Plans	The Bank first adopted NPC 26 (on January 01, 2002, and, since that date, has recorded the gains and losses outside the time interval over the remaining period of provision of services.	The Bank will opt for exemption from IFRS 1 relating to employee benefits, where the first-time adopter may choose to recognize all accumulated actuarial gains and losses under shareholders' equity. Accordingly, it will be applying a new cut to the Projected Credit Unit on the transition date, even if it uses the time interval approach for subsequent actuarial gains and losses.
Property and Equipment in Use	The Bank adjusted the balance sheet for inflation through December 31, 1995.	Since the Brazilian economy was still characterized as hyperinflationary during 1996 and 1997, the Bank should therefore calculate a new deemed cost on its property and equipment.
Adjustment to fair value of derivatives	Derivatives included in the portfolio as of December 31, 2009 were accounted for as per the accrual method as they were entered into agreement to hedge certain credit rights.	These derivatives will be classified as trading securities and recognized at fair value in the financial statements; the respective changes in the fair value will be recognized under opening shareholders' equity and subsequently charged against income/loss, as prescribed by IAS 39 – "Financial Instruments - Recognition and Measurement".
Deferral of financial services fees and direct costs	Recognized in income/loss at the time of origination of these financial assets.	The financial services fees, as well as the direct costs related to the origination of these financial assets, will be deferred and recognized as adjustment to the effective interest rate, as well as the related direct costs.

DESCRIPTION	BR GAAP	IFRS
Impairment of loans and advances to customers and financial institutions	Recognized based on risk analysis of loan transactions in an amount considered sufficient to cover possible losses, as prescribed by CMN Resolution 2682, of December 12, 1999, which considers certain regulatory standards.	Impairment losses will be calculated considering the history of loss and other indications on the date of the financial statements for financial assets collectively measured.For financial assets that are individually significant and that present objective impairment evidence, the loss amount will be measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, including, if applicable, the fair alue of collaterals discounted at the original effective interest rate of the asset.
Noncontrolling interest in subsidiaries	The balance of noncontrolling interests in subsidiaries is classified separately under liabilities, net of the shareholders' equity.	The balance of noncontrolling interests in subsidiaries is an integral part of the consolidated shareholders' equity, as prescribed by IAS 27.
Statement of comprehensive income	Not required.	The statement of comprehensive income is required and comprises all the components of net income and other comprehensive income, represented by other amounts recorded under shareholders' equity and which do not arise from transacitions with shareholders.
Balance sheet by segment	Not required.	All information that allow readers of the financial statements to evaluate the nature and financial effects of the activities of each of the Bank's segments and the economic environment where they operate, by using to this end the financial information used by the operating decision makers, i.e., the information provided in the Management - CODM (Chief Operating Decision Maker). The bank has identified the operating segments to disclose the required statements.
Deferred income tax and social contribution on IFRS adjustments	Not required.	Deferred income tax will be recorded on differences between the BR GAAP and the IFRS, when applicable.

NOTE 27 Authorization for Completion of the Financial Statements

Banrisul's Board of Executive Officers authorized the completion of these financial statements on February 07, 2011, which consider subsequent events occurred to this date that might affect these financial statements.

BOARD OF EXECUTIVE OFFICERS

MATEUS AFFONSO BANDEIRA
CEO

RUBENS SALVADOR BORDINI
Vice-President

BRUNO FRONZA
CARLOS TADEU AGRIFOGLIO VIANNA
CESAR ANTONIO CECHINATTO
LUIZ GONZAGA VERAS MOTA
MARINÊS BILHAR
PAULO ROBERTO GARCIA FRANZ
Officers

LUIZ CARLOS MORLIN
Accountant CRCRS 51.124

GOVERNO DO ESTADO
DO RIO GRANDE DO SUL

Secretaria da Fazenda
Banco do Estado do Rio Grande do Sul

Board of Executive Officers

MATEUS AFFONSO BANDEIRA
CEO

RUBENS SALVADOR BORDINI
Vice-President

BRUNO FRONZA
CARLOS TADEU AGRIFOGLIO VIANNA
CÉSAR ANTÔNIO CECHINATO
LUIZ GONZAGA VERAS MOTA
MARINÊS BILHAR
PAULO ROBERTO GARCIA FRANZ
Officerss

Board of Administration

RICARDO ENGLERT
Chairman
MATEUS AFFONSO BANDEIRA
Vice Chairman

ARIO ZIMMERMANN
DILIO SERGIO PENEDO
JOÃO VERNER JUENEMANN
JOÃO ZANI
MANOEL ANDRÉ DA ROCHA
NELSON FÁBIO SBABO
RUBENS SALVADOR BORDINI
Board of Members

LUIZ CARLOS MORLIN
Accountant CRCRS 51.124

Annual Financial Statements

Banco do Estado do Rio Grande do Sul S.A.

Year ended December 31, 2009
with Independent Auditor's Report

Independent Auditor´s Report

To the Management and Shareholders of
Banco do Estado do Rio Grande do Sul S.A.
Porto Alegre - RS

1. We have audited the accompanying individual (Bank) and consolidated balance sheets of Banco do Estado do Rio Grande do Sul S.A. ("Bank") and subsidiaries 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 the 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 its subsidiaries; (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 the Management of the Bank and its subsidiaries, 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 do Estado do Rio Grande do Sul S.A. and subsidiaries 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 its operations for the years then ended and the 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.

Porto Alegre, February 3, 2010.

DELOITTE TOUCHE TOHMATSU Independent Auditors
CRC nº. 2 SP 11.609/O-8/F/RS
Fernando Carrasco
Engagement Partner
CRC nº. 1 SP 157.760/T/RS

Deloitte.

Balance Sheet

December 31, 2009 and 2008
(In Thousands of Reais)

ASSETS	BANRISUL 2009	BANRISUL 2008	BANRISUL CONSOLIDATED 2009	BANRISUL CONSOLIDATED 2008
CURRENT	**17,416,546**	**16,298,255**	**17,484,583**	**16,354,440**
CASH	411,158	373,239	411,220	373,278
INTERBANK INVESTMENTS (Notes 03 (b) and 04)	5,336,677	4,668,686	5,356,542	4,687,078
Money Market Investments	5,207,226	4,430,537	5,227,091	4,448,929
Interbank Deposits	129,451	238,149	129,451	238,149
SECURITIES AND DERIVATIVES (Notes 03 (c) and 05)	3,194,674	3,004,516	3,198,936	3,010,816
Own Portfolio	1,821,121	2,472,028	1,825,378	2,478,323
Linked to Repurchase Commitments	1,096,768	327,052	1,096,768	327,052
Derivatives	15,981	7,411	15,981	7,411
Linked to Central Bank of Brazil	194,497	159,468	194,497	159,468
Linked to Guarantees	66,307	38,557	66,307	38,557
Privatization Certificates	-	-	5	5
INTERBANK ACCOUNTS	1,380,802	1,341,804	1,380,802	1,341,804
Payments and Receipts Pending Settlement	3,231	3,377	3,231	3,377
Restricted Deposits (Note 06)				
Central Bank of Brazil	1,349,540	1,318,412	1,349,540	1,318,412
Correspondents	28,031	20,015	28,031	20,015
INTERBRANCH ACCOUNTS	35,070	43,936	35,070	43,936
Third-party Funds in transit	833	1,368	833	1,368
Internal Transfers of Funds	34,237	42,568	34,237	42,568
LOANS (Notes 03 (d) and 07)	6,084,542	5,770,975	6,084,542	5,770,975
Loans				
Public Sector	36,075	79,942	36,075	79,942
Private Sector	6,466,547	5,960,215	6,466,547	5,960,215
Allowance for Loan Losses (Note 03 (f))	(418,080)	(269,182)	(418,080)	(269,182)
LEASE OPERATIONS (Notes 03 (d) and 07)	46,117	45,001	46,117	45,001
Lease Receivables				
Public Sector	817	634	817	634
Private Sector	46,866	46,553	46,866	46,553
Allowance for Doubtful Lease Receivables	(1,566)	(2,186)	(1,566)	(2,186)
OTHER RECEIVABLES (Note 08)	904,559	1,044,054	948,170	1,075,286
Foreign Exchange Portfolio	448,898	625,761	448,898	625,761
Income Receivable	35,544	44,173	30,833	39,228
Trading Accounts	-	-	4,615	1,858
Specific Credits	-	-	21	-
Other	461,884	391,516	505,986	426,816
Allowance for Losses on Other Receivables (Note 07)	(41,767)	(17,396)	(42,183)	(18,377)
OTHER ASSETS	22,947	6,044	23,184	6,266
Temporary Investiments	232	3,070	232	3,070
Allowance for Losses	-	(1,448)	-	(1,448)
Other Assets	5,243	7,827	5,389	7,927
Allowance for Valuation	(590)	(7,826)	(590)	(7,826)
Prepaid Expenses,	18,062	4,421	18,153	4,543

ASSETS (Cont'd)	BANRISUL 2009	BANRISUL 2008	BANRISUL CONSOLIDATED 2009	BANRISUL CONSOLIDATED 2008
LONG-TERM ASSETS	**11,221,775**	**8,464,826**	**11,241,609**	**8,486,872**
SECURITIES AND DERIVATIVES (Notes 03 (c) and 05)	4,206,831	3,097,472	4,209,585	3,099,975
Own Portfolio	2,555,047	2,125,424	2,555,047	2,125,424
Linked to Repurchase Commitments	972,732	491,999	972,732	491,999
Derivatives	135,238	102,492	135,238	102,492
Linked to Central Bank of Brazil	345,311	192,684	345,311	192,684
Linked to Guarantees	198,503	184,873	201,257	187,376
INTERBANK ACCOUNTS	440,898	382,057	440,898	382,057
Restricted Deposits (Note 06)				
National Housing System	440,898	382,057	440,898	382,057
LENDING OPERATIONS (Notes 03 (d) and 07)	5,782,477	4,185,375	5,782,477	4,185,375
Lending Operations				
Public Sector	82,146	109,619	82,146	109,619
Private Sector	6,248,460	4,748,716	6,248,460	4,748,716
Allowance for Loan Losses (Note 03 (f))	(548,129)	(672,960)	(548,129)	(672,960)
LEASING OPERATIONS (Notes 03(d) and 07)	43,027	57,194	43,027	57,194
Lease Receivables				
Public Sector	2,442	425	2,442	425
Private Sector	47,768	60,328	47,768	60,328
Allowance for Doubtful Lease Receivables	(7,183)	(3,559)	(7,183)	(3,559)
OTHER RECEIVABLES (Note 08)	725,869	725,285	742,949	744,828
Foreing Exchange Portfolio	28	5,408	28	5,408
Other	805,768	725,285	822,848	744,828
Allowance for Losses on Other Receivables (Note 07)	(79,927)	(5,408)	(79,927)	(5,408)
OTHER ASSETS	22,673	17,443	22,673	17,443
Other Assets	20,777	18,446	20,777	18,446
Allowance for Valuation	(8,604)	(1,003)	(8,604)	(1,003)
Prepaid Expenses	10,500	-	10,500	-
PERMANENT ASSETS	**645,254**	**629,603**	**357,945**	**364,063**
INVESTIMENTS	299,800	278,688	7,758	8,241
Investments in Domestic Subsidiaries (Note 02 (c))	292,895	271,765	-	-
Other Investiments	11,888	11,920	13,214	13,711
Allowance for Losses	(4,983)	(4,997)	(5,456)	(5,470)
PROPERTY AND EQUIPMENT IN USE (Note 09 (a))	165,708	146,676	170,058	151,351
Real Estate	119,969	120,056	127,012	127,086
Other	433,551	405,585	438,659	410,432
Accumulated Depreciation	(387,812)	(378,965)	(395,613)	(386,167)
INTANGIBLE (Note 09 (b))	179,746	204,239	180,129	204,471
Intangible Assets	311,289	280,218	311,672	280,450
Accumulated Amortization	(131,543)	(75,979)	(131,543)	(75,979)
TOTAL ASSETS	**29,283,575**	**25,392,684**	**29,084,137**	**25,205,375**

LIABILITIES AND SHAREHOLDERS´EQUITY	BANRISUL 2009	BANRISUL 2008	BANRISUL CONSOLIDATED 2009	BANRISUL CONSOLIDATED 2008
CURRENT	**21,420,147**	**18,177,692**	**21,218,591**	**18,021,578**
DEPOSITS (Note 10)	13,261,369	11,289,466	13,072,695	11,120,370
Demand Deposits	2,107,702	1,869,619	2,100,614	1,864,035
Saving Deposits	5,636,799	4,805,853	5,636,799	4,805,853
Interbank Deposits	89,968	11,981	89,968	11,981
Time Deposits	5,415,309	4,585,598	5,233,698	4,422,086
Other Deposits	11,591	16,415	11,616	16,415
MONEY MARKET FUNDING (Note 10)	2,069,893	2,290,220	2,006,497	2,234,251
Own Portfolio	2,069,893	819,131	2,006,497	763,162
Third Parties	-	1,471,089	-	1,471,089
INTERBANK ACCOUNTS	10,739	11,779	10,739	11,779
Receipt and Payment Pending Settlement	10,737	11,773	10,737	11,773
Correspondents	2	6	2	6
INTERBRANCH ACCOUNT	149,932	113,070	149,932	113,070
Third-party Funds in Transit	149,901	112,908	149,901	112,908
Internal Transfers of Funds	31	162	31	162
BORROWINGS (Note 11)	503,167	622,473	503,167	622,473
Domestic Borrowings - Other Institutions	60,307	-	60,307	-
Foreign Borrowings	442,860	622,473	442,860	622,473
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (Note 12)	369,832	329,949	369,832	329,949
Nacional Treasury	51,632	42,290	51,632	42,290
National Economic and Social Development Bank (BNDES)	212,574	204,358	212,574	204,358
Federal Savings and Loan Bank (CEF)	9,795	1,432	9,795	1,432
National Equipment Financing Authority (FINAME)	95,831	81,869	95,831	81,869
FOREING ONLENDINGS	35,768	31,792	35,768	31,792
Foreign Onlendings (Note 12)	35,768	31,792	35,768	31,792
DERIVATIVES (Note 05 (d))	14,515	8,348	14,515	8,348
Derivatives	14,515	8,348	14,515	8,348
OTHER PAYABLES (Note 13)	5,004,932	3,480,595	5,055,446	3,549,546
Collected Taxes and Other	28,445	80,948	28,445	80,948
Foreign Exchanges Portfolio	24,134	91,215	24,134	91,215
Social and Statutory	33,315	39,229	33,387	39,295
Tax and Social Security	131,302	78,551	137,210	81,551
Trading Account and Intermediation	-	-	4,223	1,554
Financial and Development Funds	4,139,986	2,672,001	4,139,986	2,672,001
Other	647,750	518,651	688,061	582,982

LIABILITIES AND SHAREHOLDERS´EQUITY (Cont'd)	BANRISUL 2009	BANRISUL 2008	BANRISUL CONSOLIDADO 2009	BANRISUL CONSOLIDADO 2008
LONG-TERM LIABILITIES	**4,454,966**	**4,135,853**	**4,455,429**	**4,101,355**
DEPOSITS (Note 10)	3,297,050	3,136,312	3,297,050	3,135,713
Time Deposits	3,297,050	3,136,312	3,297,050	3,135,713
DOMESTIC ONLENDINGS - OFFICIAL INSTITUTIONS (Note 12)	572,913	385,771	572,913	385,771
Nacional Treasury	12,303	13,092	12,303	13,092
National Economic and Social Development Bank (BNDES)	423,633	278,316	423,633	278,316
Federal Savings and Loan Bank (CEF)	21,732	8,339	21,732	8,339
National Equipment Financing Authority (FINAME)	115,245	86,024	115,245	86,024
DERIVATIVES (Note 5 (d))	32,457	27,538	32,457	27,538
Derivatives	32,457	27,538	32,457	27,538
OTHER PAYABLES (Note 13)	552,546	586,232	553,009	552,333
Tax and Social Security	386,006	367,419	386,006	367,419
Other	166,540	218,813	167,003	184,914
MINORITY INTEREST	**-**	**-**	**1,655**	**3,303**
SHAREHOLDERS' EQUITY (Note 20)	**3,408,462**	**3,079,139**	**3,408,462**	**3,079,139**
Capital	2,600,000	2,300,000	2,600,000	2,300,000
Capital Reserves	6,171	6,164	6,171	6,164
Profit Reserves	808,138	782,482	808,138	782,482
Assets valuation adjustment (Note 05 (b))	(5,847)	(9,507)	(5,847)	(9,507)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**29,283,575**	**25,392,684**	**29,084,137**	**25,205,375**

Statement of Income

December 31, 2009 and 2008
(In Thousands of Reais)

	BANRISUL			BANRISUL CONSOLIDATED	
	2nd Half/2009	2009	2008 (reclassified)	2009	2008 (reclassified)
FINANCIAL INCOME	**2,117,918**	**4,253,397**	**3,870,493**	**4,262,620**	**3,879,663**
Loans	1,462,874	2,857,229	2,336,380	2,857,233	2,336,380
Lease Operations	9,543	19,651	16,192	19,651	16,192
Securities	524,596	1,104,201	989,818	1,113,347	998,988
Derivatives	4,140	23,945	-	24,018	-
Foreign Exchange	30,974	71,778	217,719	71,778	217,719
Compulsory Investments	85,791	176,593	310,384	176,593	310,384
FINANCIAL EXPENSES	**994,710**	**2,158,204**	**2,176,116**	**2,142,893**	**2,157,313**
Funding Operations	637,745	1,350,596	1,420,123	1,334,526	1,401,077
Borrowings, Assignments and Onlendings	195,122	385,728	482,146	385,728	482,146
Derivatives	-	-	17,548	-	17,548
Allowance for Loan Losses (Note 07 (d))	161,843	421,880	256,299	422,639	256,542
GROSS PROFIT FROM FINANCIAL OPERATIONS	**1,123,208**	**2,095,193**	**1,694,377**	**2,119,727**	**1,722,350**
OTHER OPERATING INCOME (EXPENSES)	**(601,210)**	**(1,257,431)**	**(1,006,865)**	**(1,266,460)**	**(1,018,111)**
Income from Services Rendered (Note 15)	47,599	93,929	95,917	137,463	135,319
Bank Fees Income (Note 16)	226,050	441,881	403,374	441,878	403,372
Equity in Subsidiaries (Note 02 (c))	13,619	24,025	30,152	-	-
Personnel Expenses	(458,683)	(894,158)	(830,099)	(901,002)	(835,369)
Other Administratives Expenses (Note 17)	(347,221)	(669,845)	(618,056)	(678,885)	(625,746)
Tax Expenses	(88,418)	(176,001)	(147,433)	(181,984)	(152,586)
Other Operating Income (Note 18)	83,147	144,221	194,983	143,711	193,218
Other Operating Expenses (Note 19)	(77,303)	(221,483)	(135,703)	(227,641)	(136,319)
INCOME FROM OPERATIONS	**521,998**	**837,762**	**687,512**	**853,267**	**704,239**
INCOME BEFORE TAXES ON INCOME AND EMPLOYEE PROFIT SHARING	**521,998**	**837,762**	**687,512**	**853,267**	**704,239**
INCOME TAX AND SOCIAL CONTRIBUTION (Notes 03 (l) and 22 (a))	**(162,274)**	**(252,290)**	**(66,659)**	**(267,597)**	**(83,192)**
EMPLOYEE PROFIT SHARING	**(29,385)**	**(44,376)**	**(29,980)**	**(44,403)**	**(29,990)**
MINORITY INTEREST	**-**	**-**	**-**	**(171)**	**(184)**
NET INCOME	**330,339**	**541,096**	**590,873**	**541,096**	**590,873**
Number of Outstanding Shares (Thousands)	408,974	408,974	408,974	-	-
Earning per Thousand Shares (R$)	807.73	1,323.06	1,444.77	-	-

Cash Flow

December 31, 2009 and 2008
(In Thousands of Reais)

	Banrisul			Banrisul Consolidated	
	2nd Sem/2009	2009	2008	2009	2008
Adjustes to Net Income	**601,249**	**1,117,816**	**857,855**	**1,143,227**	**890,314**
Net Income	330,339	541,096	590,873	541,096	590,873
Adjustment to Net Income:					
Depreciation and Amortization	49,250	92,943	88,800	93,779	89,660
Equity in Subsidiaries	(13,619)	(24,025)	(30,152)	-	-
Dividends Received Fron Subsidiaires	-	4,945	1,319	-	-
Provision for Loan Losses	161,843	421,880	256,299	422,639	256,543
Reserve for Securitization Losses	(5,510)	(4,679)	(2,221)	(4,679)	(2,221)
Reserve for Contingencies	45,278	89,027	45,762	93,718	47,123
Deferred Income Tax and Social Contribution	33,668	(3,371)	(92,825)	(3,326)	(91,664)
Changes in Assets and Liabilities	**(1,548,289)**	**(211,469)**	**519,399**	**(233,578)**	**486,940**
Valuation adjustment to Equity	176	3,660	(9,554)	3,660	(9,554)
(Increase) Decrease in Interbank Deposits	(114,590)	(114,590)	-	(114,590)	-
(Increase) Decrease in Securities	(849,150)	(1,258,201)	(963,646)	(1,256,414)	(966,701)
(Increase) Decrease in Derivatives	(8,307)	(30,230)	23,980	(30,230)	23,980
(Increase) Decrease in Interbank and Interbranch Accounts	(264,337)	(53,151)	958,459	(53,151)	958,458
(Increase) Decrease in Loan Operations	(1,664,804)	(2,306,124)	(3,434,235)	(2,306,125)	(3,434,236)
(Increase) Decrease in Lease Operations	210	9,893	(62,419)	9,893	(62,419)
(Increase) Decrease in Other Receivables	60,122	117,004	(349,441)	108,296	(358,847)
(Increase) Decrease in Other Assets	(22,715)	(22,133)	2,286	(22,148)	2,149
Increase (Decrease) in Deposits	1,511,222	2,132,641	1,903,922	2,113,662	1,890,125
Increase (Decrease) in Money Market Funding	(850,586)	(220,327)	1,030	(227,754)	6,132
Increase (Decrease) in Borrowing	122,156	111,695	427,744	111,695	427,653
Increase (Decrease) in Other Liabilities	532,314	1,418,394	2,021,273	1,429,628	2,010,200
NET CASH USED IN OPERATING ACTIVITIES	**(947,040)**	**906,347**	**1,377,254**	**909,649**	**1,377,254**
CASH FLOW PROVIDED BY INVESTING ACTIVITIES					
Adjustment of Asssets in Subsidiaries	7	7	(111)	7	(111)
Disposal of Investiments	142	164	138	680	-
Disposal of Property and Equipment in Use	168	239	475	242	477
Acquisition of Investiments	(132)	(185)	(42)	(197)	(168)
Acquisition of Property and Equipment in use	(49,131)	(57,033)	(62,524)	(57,316)	(61,156)
Acquisition of Intangible Assets	(19,542)	(30,688)	(57,993)	(31,070)	(58,264)

	Banrisul			Banrisul Consolidated	
	2nd Sem/2009	2009	2008	2009	2008
NET CASH USED IN INVESTMENT ACTIVITIES	**(68,488)**	**(87,496)**	**(120,057)**	**(87,654)**	**(119,222)**
CASH FLOW FROM FINANCING ACTIVITIES					
Dividends Paid	-	(38,506)	(87,056)	(38,506)	(87,056)
Interest on Capital Paid	(93,895)	(189,025)	(157,937)	(189,025)	(157,937)
Change in Minority Interest.....	-	-	-	(1,648)	1,902
NET CASH USED IN FINANCING ACTIVITIES	**(93,895)**	**(227,531)**	**(244,993)**	**(229,179)**	**(243,091)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(1,109,423)**	**591,320**	**1,012,204**	**592,816**	**1,014,941**
Cash and Cash Equivalents	314,821	373,239	347,304	373,278	347,353
Interbank Investments (Note 03(n))	6,427,847	4,668,686	3,682,417	4,687,078	3,698,062
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	**6,742,668**	**5,041,925**	**4,029,721**	**5,060,356**	**4,045,415**
Cash.....	411,158	411,158	373,239	411,220	373,278
Interbank Investments (Note 03(n))	5,222,087	5,222,087	4,668,686	5,241,952	4,687,078
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	**5,633,245**	**5,633,245**	**5,041,925**	**5,653,172**	**5,060,356**

Statement of Value Added

December 31, 2009 and 2008
(In Thousands of Reais)

			BANRISUL	BANRISUL CONSOLIDATED	
	2nd Half/2009	2009	2008 (reclassified)	2009	2008 (reclassified)
INCOME	**2.312.844**	**4.511.384**	**4.308.676**	**4.562.844**	**4.355.238**
Financial Income	2.117.891	4.253.233	3.870.701	4.262.431	3.879.871
Services Rendered and Bank Fees Income	273.649	535.810	499.291	579.341	538.691
Allowance for loan losses	(161.843)	(421.880)	(256.299)	(422.639)	(256.542)
Other	83.147	144.221	194.983	143.711	193.218
FINANCIAL INTERMEDIATION EXPENSES (b)	**832.867**	**1.736.324**	**1.919.817**	**1.720.254**	**1.900.771**
INPUTS ACQUIRED FROM THIRD PARTIES (c)	**352.410**	**754.676**	**629.683**	**770.422**	**638.406**
Materials, Energy and other	299.828	647.987	532.276	661.497	538.645
Third-party Services	52.609	106.853	97.199	109.114	99.553
Assets Value Recovery (Loss)	(27)	(164)	208	(189)	208
GROSS VALUE ADDED (d=a-b-c)	**1.127.567**	**2.020.384**	**1.759.176**	**2.072.168**	**1.816.061**
DEPRECIATION AND AMORTIZATION (e)	**49.250**	**92.943**	**88.800**	**93.779**	**89.660**
NET VALUE ADDED PRODUCED BY THE BANK (f=d-e)	**1.078.317**	**1.927.441**	**1.670.376**	**1.978.389**	**1.726.401**
VALUE ADDED RECEIVED IN TRANSFER (g)	**13.619**	**24.025**	**30.152**	**-**	**-**
Equity in Subsidiaries	13.619	24.025	30.152	-	-
VALUE ADDED FOR DISTRIBUTION (h=f+g)	**1.091.936**	**1.951.466**	**1.700.528**	**1.978.389**	**1.726.401**
DISTRIBUTION OF VALUE ADDED	**1.091.936**	**1.951.466**	**1.700.528**	**1.978.389**	**1.726.401**
Personnel	**415.888**	**803.518**	**731.481**	**810.153**	**736.591**
Salary	321.120	617.607	564.791	623.152	568.994
Benefits	72.512	136.591	125.186	137.213	125.709
F.G.T.S.	22.256	49.320	41.504	49.788	41.888
Tax Fees and contributions	**322.872**	**563.307**	**342.690**	**584.833**	**364.546**
Federal	307.680	532.507	314.304	552.038	334.443
State	241	506	532	534	558
Municipality	14.951	30.294	27.854	32.261	29.545
Third-party capital compensation	**22.837**	**43.545**	**35.484**	**42.136**	**34.207**
Rentals	22.837	43.545	35.484	42.136	34.207
Shareholders' equity compensation	**330.339**	**541.096**	**590.873**	**541.267**	**591.057**
Interest on Capital	93.895	189.025	168.499	189.025	168.499
Dividends	26.415	26.415	125.583	26.415	125.583
Retained Earnings	210.029	325.656	296.791	325.656	296.791
Minority interest	-	-	-	171	184

Statement of Changes on Shareholders´ Equity

December 31, 2009 and 2008

(In Thousands of Reais)

			Capital Reserves		Profit Reserves					
	Capital Stock	Capital Increase	Adjustment of Memberships Certificates in Subsidiary	Investments Grants	Legal	Statuory	For Expansion	Assets Valuation Adjustment	Retained Earnings	TOTAL
Balance as of January 01, 2008	**2,034,000**	**-**	**1,764**	**4,511**	**98,770**	**229,095**	**423,826**	**47**	**-**	**2,792,013**
Capital Increase (Note 20 (a))	266,000	-	-	-	-	-	(266,000)	-	-	-
Adjustment of Memberships Certificates in Subsidiary	-	-	(111)	-	-	-	-	-	-	(111)
Valuation Adjustmen t to Equity (Note 05 (b))	-	-	-	-	-	-	-	(9,554)	-	(9,554)
Net Income	-	-	-	-	-	-	-	-	590,873	590,873
Allocation of Net Income (Note 20 (b))										
Recognition of Reserves	-	-	-	-	29,544	147,718	206,585	-	(383,847)	-
Interest on Capital	-	-	-	-	-	-	-	-	(168,498)	(168,498)
Dividends Accrued	-	-	-	-	-	(87,056)	-	-	(38,528)	(125,584)
Balance as of December 31, 2008	**2,300,000**	**-**	**1,653**	**4,511**	**128,314**	**289,757**	**364,411**	**(9,507)**	**-**	**3,079,139**
Capital Increase (Note 20 (a))	300,000	-	-	-	-	-	(300,000)	-	-	-
Adjustment of Memberships Certificates in Subsidiary	-	-	7	-	-	-	-	-	-	7
Valuation Adjustmen t to Equtiy (Note 05 (b))	-	-	-	-	-	-	-	3,660	-	3,660
Net Income	-	-	-	-	-	-	-	-	541,096	541,096
Allocation of Net Income (Note 20 (b))										
Recognition of Reserves	-	-	-	-	27,055	135,274	163,327	-	(325,656)	-
Interest on Capital	-	-	-	-	-	-	-	-	(189,025)	(189,025)
Dividends Accrued	-	-	-	-	-	-	-	-	(26,415)	(26,415)
Balance as of December 31, 2009	**2,600,000**	**-**	**1,660**	**4,511**	**155,369**	**425,031**	**227,738**	**(5,847)**	**-**	**3,408,462**
Balance as of July 01, 2009	**2,300,000**	**300,000**	**1,653**	**4,511**	**138,852**	**342,446**	**116,811**	**(6,023)**	**-**	**3,198,250**
Capital Increase (Note 20 (a))	300,000	(300,000)	-	-	-	-	-	-	-	-
Adjustment of Memberships Certificates in Subsidiary	-	-	7	-	-	-	-	-	-	7
Valuation Adjustmen t to Equity (Note 05 (b))	-	-	-	-	-	-	-	176	-	176
Net Income	-	-	-	-	-	-	-	-	330,339	330,339
Allocation of Net Income (Note 20 (b))										
Recognition of Reserves	-	-	-	-	16,517	82,585	110,927	-	(210,029)	-
Interest on Capital	-	-	-	-	-	-	-	-	(93,895)	(93,895)
Dividends Accrued	-		-	-	-	-	-	-	(26,415)	(26,415)
Balance as of December 31, 2009	**2,600,000**	**-**	**1,660**	**4,511**	**155,369**	**425,031**	**227,738**	**(5,847)**	**-**	**3,408,462**

Notes to the Financial Statements

NOTE 01 Operations

Banco do Estado do Rio Grande do Sul S.A. (Banrisul) is a multiple-service bank, operating commercial, lending, financing and investment, mortgage loan, development, lease and investment portfolios, including exchange, securities brokerage, and credit card and consortium management. Transactions are conducted within the context of a group of financial institutions that operate on an integrated basis in the financial market. Banrisul also operates as an instrument for the execution of the economic and financial policy of the state of Rio Grande do Sul, in conformity with the state government's plans and programs.

NOTE 02 Presentation of the Financial Statements

(a) The individual and consolidated financial statements have been prepared in accordance with Brazilian accounting practices and standards and instructions from the Central Bank of Brazil and from the Brazilian Securities and Exchange Commission (CVM), include accounting practices and estimates concerning the recognition of allowances and determination of assets that comprise its securities portfolio. Actual results could differ from those estimated.

(b) The Bank's individual financial statements include operations conducted in Brazil as well as the incorporation of its foreign branches (New York and Grand Cayman). Assets, liabilities and income from foreign branches, before consolidation eliminations, are summarized as follows:

	In Thousands of Reais	
	2009	2008
ASSETS		
Securities	8,559	9,509
Lending Operations	144,000	195,585
Operations in Brazil	81,795	98,553
Other Lending Operations	62,205	97,032
Other Assets	37,981	45,713
Total Assets	190,540	250,807
LIABILITIES		
Deposits	74,908	101,632
Operations in Brazil	20,363	28,077
Other Deposits	54,545	73,555
Other Liabilities	449	(724)
Shareholders' Equity	115,183	149,899
Total Liabilities and Shareholders' Equity	190,540	250,807
Demonstração do Resultado		
Financial Intermediation Income	7,343	13,016
Financial Intermediation Expenses	(1,689)	(3,652)
Other Expenses, Net	(2,154)	(2,918)
Net Income for the period	3,500	6,446

The effects of the exchange variation over operations in foreign branches are distributed in the statement of income according to the nature of corresponding assets and liabilities.

(c) The consolidated financial statements include the accounts of the Bank, its foreign branches and subsidiaries whose balance of investments, as of December 31, 2009, amounted to R$292,895 thousand (2008 – R$271,765 thousand), and generated equity gains in subsidiaries for the period of R$24,025 thousand (2008 – R$30,152 thousand), and are presented as follows:

Main Information on Investments in Subsidiaries

					In Thousands of Reais
	Banrisul Armazéns Gerais S.A.	Banrisul S.A. Corretora de Val. Mob. e Câmbio	Banrisul S.A. Administradora de Consórcios	Banrisul Serviços Ltda.	Total
Thousands of Shares					
Common Shares	696	10,000	89,114	-	-
Preferred Shares	-	19,608	-	-	-
Shares	-	-	-	2,780	-
Adjusted Ownership Interest (%)	99.498	98.693	99.569	99.785	-
Capital	22,750	40,000	105,000	77,640	-
Shareholders' Equity	24,086	62,967	122,249	85,248	-
Net Income	1,324	7,805	10,862	7,333	-
Net Amounts Eliminated on Consolidation (Note 25):					
Assets (Liabilities)					
As of December 31, 2009.	111	(61,360)	(118,606)	(96,040)	(275,895)
As of December 31, 2008	334	(54,003)	(105,657)	(87,234)	(246,560)
Income (Expenses)					
As of December 31, 2009.	(1,298)	(3,054)	(8,365)	460	(12,257)
As of December 31, 2008	(1,200)	(4,465)	(10,794)	463	(15,996)
Book Value of the Investmen t					
As of December 31, 2009.	23,965	62,144	121,721	85,065	292,895
As of December 31, 2008	22,961	54,455	113,474	80,875	271,765
Equity in Subsidiaries					
As of December 31, 2009.	1,318	7,703	10,815	4,189	24,025
As of December 31, 2008	2,118	7,967	10,763	9,304	30,152

The preparation of consolidated financial statements eliminated interests among consolidated companies, remaining balance and results of transactions. The portions of income for the period and shareholders' equity referring to minority shareholders' interest have been highlighted.

(d) Financial Lease Operations are stated at present value in the Balance Sheet, and related income and expenses, which represent the financial result of said operations, are grouped in Lease Operations in the Statement of Income.

(e) Pursuant to Central Bank of Brazil Circular Letter 3357 of the, amounts related to agreements that ensure exclusive banking services were reclassified from Prepaid Expenses to Intangible Assets as of December 31, 2008. To enable comparability between periods, the amount of R$50,507 thousand (Bank and consolidated) recorded as of December 31, 2008 was reclassified from Other Operating Expenses to Other Administrative Expenses.

NOTE 03 Significant Accounting Practices

(a) Results of operations
Income and expenses are recorded on the accrual basis.

(b) Interbank Investments
Represent funds invested in the interbank market, stated at present value, calculated on "pro rata die" basis, according to the variation of both the agreed index and the interest rate.

(c) Securities and Derivatives
According to Central Bank of Brazil Circular 3,068 of November 8, 2001 and supplementary regulation, securities are classified and assessed into three specific categories, in conformity with the following accounting criteria:

i) Trading Securities – securities acquired for the purposes of being actively and frequently traded, adjusted to fair value, and realized and unrealized gains or losses recognized in the statement of income.

ii) Available-for-Sale Securities – Include securities used as part of the strategy to manage risk of changes in interest rates and which may be traded as a result of these changes, changes in payment conditions or other factors. These securities are adjusted to fair value, and income earned is recorded in the statements of income, whereas unrealized gains and losses from changes in fair value are recorded in a separate shareholders' equity caption, net of taxes, where applicable, denominated "Valuation adjustments to equity" until they are realized through sale.

Gains and losses, when realized, are recorded in the statement of income on the trading date, with a contra entry to a specific shareholders' equity account, net of taxes, where applicable.

iii) Held-to-Maturity Securities – Include securities for which Management has the intent and financial capacity to hold to maturity and are stated at cost plus income earned. Financial capacity is defined in cash flow projections, disregarding any possible sale of these securities.

Derivatives – Derivatives contracted in conjunction with other investment operations are recognized based on income earned and expenses incurred through the balance sheet date in the statement of income.

(d) Loans, Lease Transactions and Other Receivables
All loans and lease transactions are classified based on Management's risk assessment, taking into account the economic scenario, past experience and specific risks related to operations, debtors and guarantors, pursuant to National Monetary Council (CMN) Resolution 2,682/99, which requires a periodic analysis of the portfolio and its classification into nine risk levels, from AA to H. A summary of this classification is presented in Note 07.

Loans and lease transactions are recorded at present value, calculated on a daily pro-rata basis, based on the agreed index and interest rate, and are adjusted up to the sixtieth day past-due. Thereafter, income is recognized only when received.

The risk of renegotiated assets are classified in accordance with the criteria established by Resolution 2,682/99, i.e. the rating assigned before the renegotiation is maintained and renegotiated loans previously written-off against the allowance and controlled in memorandum accounts are rated level H. Any gains on renegotiation are recognized as revenue only when actually received.

(e) Other Receivables – Operations with Credit Cards
Unbilled amounts are represented by receivables from cardholders for transactions in Visa and MasterCard banners. These amounts are accounted for as Notes and Credits Receivable, without credit characteristics, and transactions paid in installments when Banrisul is the issuer, and the outstanding balance of transactions paid by the minimum amount of the bill (Revolving), are reclassified as Loans.

(f) Allowance for loan losses, for doubtful lease receivables and for losses on other receivables
Recorded in an amount considered sufficient to cover possible considering the risk level classification of the customer based on periodic assessment of credit quality, and not only on the minimum percentages required by the Central Bank of Brazil (BACEN) Resolution 2,682/99 when a default event occurs.

As of December 31, 2009, the total amount related to the allowance for loan losses, allowance for doubtful lease receivables and losses and other receivables, as stated in Note 07, exceeds the minimum amount required if only the rating of transactions based on the number of past due days is considered as set forth by Central Bank of Brazil Resolution 2,682/99. This procedure has been adopted by Management since its publication to cover possible losses on operations.

(g) Permanent Assets
Permanent assets are stated at acquisition cost, adjusted for inflation through December 31, 1995, considering the following aspects:

- investments in subsidiaries are accounted for under the equity method, based on financial statements prepared in compliance with the same accounting practices. Other investments are accounted for their acquisition cost and, where applicable, adjusted based on allowances for losses;
- depreciation of property and equipment in use under the straight-line method is based on the expected economic useful lives of assets considering the minimum rates set annually by the Central Bank of Brazil, and disclosed in Note 09.
- Intangible Assets consist, basically, of investments whose benefits will occur in the future. This group is represented by bank services contracts and software acquisition. Amortization is calculated under the straight line method at the rates stated reported in Note 09. Annually, the bank reviews intangible assets for impairment losses. When identified, losses are charged to income and disclosed in Note 09
- The institution reviews annually whether there is any indication of losses in recoverable asset amounts. Losses, when identified, are recognized in the statement of income.

(h) Assets and Liabilities Denominated in Foreign Currency
The assets and liabilities of foreign branches, as well as other assets and liabilities in foreign currency, were translated at the exchange rate prevailing at balance sheet date.

(i) Deposits, Money Market Funding, Borrowings and Onlendings and Financial and Development Fund
Stated at collectable amounts plus charges incurred through the balance sheet date, recognized on a pro rata die basis.

Pursuant to Laws 12,069/04 and 12,585/06 of the Rio Grande do Sul State Government, up to 85% of the escrow deposits made by third parties in the Bank are made available to the state of Rio Grande do Sul, and the remaining balance is retained at the Bank for allocation to a fund. Transferred escrow deposits are controlled in a memorandum account and the retained portion is classified as "Other Payables", as described in Note 21(a). The charges on the remaining balance are recorded under the caption Expenses with Borrowings, Assignments and Onlendings.

(j) Reserves for Tax, Labor and Civil Risks
These reserves are recorded based on the legal counsel's opinion, using models and criteria which permit obtaining the most adequate measurement, despite the uncertainty about their period and the final outcome amount. The criterion used according to the nature of the contingency is as follows:

i) Labor Contingencies – Recognized upon court notification of judicial discussion involving Banrisul, the risk of loss of which is deemed as probable. Amounts are determined according to disbursement estimates by our Management, timely revised based on information received from our legal counsels, adjusted based on the amount of the deposit related to the execution, when required.

ii) Civil Contingencies – Recognized, upon court notice, and monthly adjusted based on the intended amount of indemnities, the evidence presented, and the legal counsel's evaluation – which considers previous court decisions, factual support, evidence produced in the records and legal decisions that might be rendered in the lawsuit, for the lawsuit loss risk.

iii) Tax and Social Security Contingencies – Refer basically to taxes whose lawfulness or constitutionality is being challenged at administrative or judicial level and whose likelihood of loss is – or has been in previous phases – deemed as probable and are recognized at the full amount under dispute. For lawsuits with respective escrow deposits, amounts are not updated except when the Bank is authorized to withdraw the deposits on account of a favorable outcome of the lawsuit.

(l) Income Tax and Social Contribution
Calculated at the rate of 15% for social contribution tax (9% until April 30, 2008) and 15% (plus a 10% surtax pursuant to legislation) for income tax on taxable income in the period, adjusted by permanent differences. Deferred income tax and social contribution were calculated based on the rates in force on balance sheet date over the temporary additions and recorded under Other Receivables, as contra entry of Income for the Period.

(m) Post-Employment Benefits
The Bank sponsors a "defined benefit" plan to its employees that has been valued in compliance with specific legislation. According to CVM Resolution 371/00 and based on an appraisal report issued by an independent actuary, the Bank values the plan annually, as explained in Note 23.

(n) Cash and Cash Equivalents in Cash Flow Statement
Include the balances of cash and cash equivalents and interbank investments, redeemable within 90 days from the date of investment. These highly-liquid investments, which are stated at cost plus income earned through the balance sheet dates, have maturities of up to 30 days or no deadline for redemption and are subject to an immaterial risk of change in value.

NOTE 04 Interbank Investments

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Money Market Investments	**5,207,226**	**4,430,537**	**5,227,091**	**4,448,929**
Pending Setlement resales - Own Portfolio				
Treasury Bills - LFT	1,740,897	1,564,122	1,740,897	1,564,122
National Treasury Bills - LTN	151,000	1,258,535	151,000	1,258,535
National Treasury Notes - NTN	3,315,329	139,032	3,315,329	139,032
Other	-	-	19,865	18,392
Pending Setlement resales - Third-Party Portfolio				
Treasury Bills - LFT	-	148,473	-	148,473
National Treasury Bills - LTN	-	251,433	-	251,433
National Treasury Notes - NTN	-	1,068,942	-	1,068,942
Interbank Deposits	**129,451**	**238,149**	**129,451**	**238,149**
Interbank Deposits	129,451	238,149	129,451	238,149
Total	**5,336,677**	**4,668,686**	**5,356,542**	**4,687,078**

NOTE 05 Securities and Derivatives

Breakdown of the portfolio of Securities and Derivatives:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Trading Securities	1,884,691	959,170	1,886,134	959,170
Available-for-sale Securities	1,067,165	614,613	1,069,984	620,913
Held-to-Maturity Securities	4,298,430	4,418,302	4,301,184	4,420,805
Derivatieos	151,219	109,903	151,219	109,903
Total	**7,401,505**	**6,101,988**	**7,408,521**	**6,110,791**
Current Assets	**3,194,674**	**3,004,516**	**3,198,936**	**3,010,816**
Long-Term Assets	**4,206,831**	**3,097,472**	**4,209,585**	**3,099,975**

The fair value presented in the chart below were assessed as follows: Treasury Bills that hold active negotiations are determined based on prices published by the ANBIMA; for shares of Publicly-held Companies the average price of the last negotiation of the day is used; and for securities whose price is not published, the calculation of the fair value is based on the internal pricing technique.

(a) Trading Securities

Composed mainly of Federal Government Securities (Treasury Bills - LFT) registered at fair value.

Breakdown per maturity:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
Maturity	Acquisition Cost	Fair Value	Restated Acquisition Cost	Fair Value
Up to 3 months	-	-	1,414	1,443
From 1 to 3 years,	784,677	784,701	784,677	784,701
From 3 to 5 years	1,018,004	1,018,039	1,018,004	1,018,039
From 5 to 15 years	81,939	81,951	81,939	81,951
Total in 2009	**1,884,620**	**1,884,691**	**1,886,034**	**1,886,134**
Total in 2008	**959,264**	**959,170**	**959,264**	**959,170**

According to the Central Bank of Brazil regulations, these securities are classified in current assets at their fair value.

(b) Available-for-Sale Securities

Breakdown of the Available-for-Sale Securities Portfolio by category per fair value:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Treasury Bills - LFT	1,049,208	608,608	1,049,208	608,608
Shares of Publicly-Held Companies	12,915	6,005	13,072	6,084
Privatization Certificates	5,042	-	5,047	5
Fixed Income Fund Shares	-	-	2,657	6,216
Total	**1,067,165**	**614,613**	**1,069,984**	**620,913**

Breakdown per maturity:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
Maturity	Acquisition Cost	Fair Value	Restated Acquisition Cost	Fair Value
No Maturity	27,795	17,957	30,614	20,776
1 to 3 years	110,178	110,183	110,178	110,183
3 to 5 years	859,816	859,828	859,816	859,828
5 to 15 years	79,185	79,197	79,185	79,197
Total in 2009	**1,076,974**	**1,067,165**	**1,079,793**	**1,069,984**
Total in 2008	**630,467**	**614,613**	**636,757**	**620,913**

The adjustment to fair value as of December 31, 2009, in the amount of R$9,809 thousand (2008 – R$15,854 thousand), was recorded under a specific Shareholders' Equity account, net of taxes of R$3,962 thousand (2008 – R$6,347 thousand), recorded in "Other Credits".

(c) Held-to-Maturity Securities

The Portfolio of Held-to-Maturity Securities, by category, stated at cost plus income earned is as follows:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	Restated Acquisition Cost	Fair Value	Restated Acquisition Cost	Fair Value
Federal Government Securities				
Treasury Bills - LFT	4,043,354	4,043,910	4,046,108	4,046,664
National Treasury Bills - NTN	7,293	7,293	7,293	7,293
Salary Variation Compensation Fund - CVS	202,070	160,795	202,070	160,795
Brazilian Foreign Debt Securities	8,559	8,559	8,559	8,559
Other	6	6	6	6
Mortgage-Backed Securities - LH	34,467	34,467	34,467	34,467
Certificate of Real Estate Receivables - CRI	2,681	2,681	2,681	2,681
Total in 2009	**4,298,430**	**4,257,711**	**4,301,184**	**4,260,465**
Total in 2008	**4,418,302**	**4,379,118**	**4,420,805**	**4,381,621**

The maturities of securities are as follows:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Up to 3 months	1,267,486	1,212,146	1,267,486	1,212,146
3 to 12 months	8,559	432,689	8,559	432,689
1 to 3 years	1,162,715	2,218,672	1,162,715	2,221,175
3 to 5 years	553,171	321,995	555,925	321,995
5 to 15 years	1,104,429	42,678	1,104,429	42,678
Over 15 years	202,070	190,122	202,070	190,122
Total	**4,298,430**	**4,418,302**	**4,301,184**	**4,420,805**
Current Assets	**1,276,045**	**1,644,835**	**1,276,045**	**1,644,835**
Long-Term Assets	**3,022,385**	**2,773,467**	**3,025,139**	**2,775,970**

(d) Derivatives

In order to meet its own needs to minimize the effect of changes in the fixed rate, exchange variation and TR (a managed prime rate), the Bank has conducted swap transactions to exchange these rates for SELIC (Central Bank overnight rate) variation. Other risks are stated in Note 24.

Banrisul and Banrisul Consolidated — In Thousands of Reais

	Notional Value	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	2009	2008
Assets									
SELIC + Fixed Rate-FCVS	77,170	-	-	-	27	18,183	5,911	24,121	20,971
SELIC + Fixed Rate	97,872	10,425	5,556	22,223	22,223	66,671	-	127,098	88,932
Liabilities									
Fixed Rate	-	-	-	-	-	-	-	-	(4,611)
TR + Fixed Rate	(77,170)	(7,324)	(6,592)	(11,921)	(5,888)	(9,320)	(984)	(42,029)	(31,275)
USD+BID+Fixed Rate	(97,872)	(304)	(295)	(1,093)	(967)	(2,284)	-	(4,943)	-
Net Adjustment		**2,797**	**(1,331)**	**9,209**	**15,395**	**73,250**	**4,927**	**104,247**	**74,017**

The above-mentioned swap transactions have as counterparty the Rio Grande do Sul State Government and were entered in connection to the assignment of credits of the Salary Variation Compensation Fund (FCVS) and credit operations with municipal public entities, and will be settled on the same dates the main operations are received.

Swap and transactions combined therewith are subject to rates equivalent to those prevailing in the market on the contracting date, since maturity dates are the same and the original transactions and swap contracts will not be negotiated.

As of December 31, 2009, the amounts receivable and amounts payable are as follows:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	2009	2008
Derivatives		
Adjustments Receivable - Short Term	15,981	7,411
Adjustments Receivable - Long Term	135,238	102,492
Adjustments Payable - Short Term	(14,515)	(8,348)
Adjustments Payable - Long Term	(32,457)	(27,538)
Net Adjustment	**104,247**	**74,017**

As of December 31, 2009, there were no futures or options contracts.

NOTE 06 Restricted Deposits

Description	Interest Rate	In Thousands of Reais Banrisul and Banrisul Consolidated 2009	2008
Compulsory Deposits - Brazilian Central Bank		**1,349,540**	**1,318,412**
Demand deposits and other funds	None	267,960	217,045
Savings deposits	Savings account	1,057,438	925,677
Other deposits	None	24,142	15,544
Other deposits	TR	-,-	160,146
Credits with the National Housing System		**440,898**	**382,057**
Acquired portfolio - swap	17.5% to 26% p.a. (*)	292,333	263,665
Acquired portfolio	TR + Interest	133,368	103,776
Own portfolio	TR + Interest	15,197	14,616
Correspondents	None	**28,031**	**20,015**
Total		**1,818,469**	**1,720,484**
Current Assets		**1,377,571**	**1,338,427**
Long-term Assets		**440,898**	**382,057**

(*) Linked to swap transactions as detailed in Note 05 (d).

National Housing System - Third-party Portfolio Acquired - From October 2002 to March 2005, the Bank acquired from the Rio Grande do Sul State Government receivables from the Salary Variation Compensation Fund (FCVS). As of December 31, 2009, the credits are stated at cost plus income earned through the balance sheet date, at the amount of R$425,701 thousand (2008 – R$367,441 thousand). Their face value is R$718,529 thousand (2008 – R$717,828 thousand). These receivables will be converted into CVS securities, pursuant to ratification and novation processes, and, in spite of no established maturity, their fair values, upon the issuance of the securities, may differ significantly from the carrying amounts.

National Housing System - Own Portfolio – Refers to credits of the FCVS arising from Banrisul's own mortgage loans portfolio that have already been approved by the FCVS's regulatory body.

NOTE 07 Loans, Lease Operations and Other Receivables

The tables below show loans, lease and foreign exchange portfolio balances.

(a) Breakdown by Type of Operation and Risk Level:

Banrisul and Banrisul Consolidated	AA	A	B	C	D	E	F	G	H	In Thousands of Reais 2009	2008
Loan and Discounted Receivables	3,076,144	3,508,126	1,444,614	641,576	148,356	123,382	628,018	51,873	261,327	9,883,416	8,276,052
Financing	164,316	388,894	165,178	19,699	13,298	7,728	7,893	4,801	27,356	799,163	764,382
Rural and Agro-Industrial Financing	142,476	318,868	259,666	134,212	39,071	23,236	39,428	22,092	41,880	1,020,929	853,145
Real Estate Financing	380,182	370,364	174,408	79,530	14,677	13,540	33,818	1,545	17,217	1,085,281	961,293
Infrastructure and Development Financing	-	42,766	-	148	-	322	-	-	1,203	44,439	43,620
Total Loans	**3,763,118**	**4,629,018**	**2,043,866**	**875,165**	**215,402**	**168,208**	**709,157**	**80,311**	**348,983**	**12,833,228**	**10,898,492**
Lease Operations	15,024	31,251	21,868	11,915	6,675	2,874	4,828	422	3,037	97,894	107,940
Advances on Foreign Exchange Contracts (1)	58,718	194,559	137,472	29,090	11,589	1,922	9,217	-	3,531	446,098	432,514
Other Receivables - Foreign Exchange (2)	1,003	4,788	3,922	1,137	812	31	1,961	8,160	15,177	36,991	14,636
Total Banrisul in 2 009	**3,837,863**	**4,859,616**	**2,207,128**	**917,307**	**234,478**	**173,035**	**725,163**	**88,893**	**370,728**	**13,414,211**	
Total Banrisul in 2 008	**2,708,889**	**4,027,162**	**2,156,482**	**932,951**	**282,091**	**247,921**	**700,314**	**62,357**	**335,415**		**11,453,582**

(1) Advances on foreign exchange contracts are classified as a reduction of "Other payables - Foreign exchange portfolio" (Note 13).

(2) Other Receivables - Foreign exchange include receivables from foreign exchange contracts and receivables from export contracts.

(b) Client Breakdown per Maturity and Risk Levels:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	AA	A	B	C	D	E	F	G	H	2009	2008
Falling due (*)	3,837,261	4,854,816	2,197,035	904,005	226,492	165,095	672,051	61,416	203,682	13,121,853	11,196,901
Up to 180 days	1,096,008	1,531,088	1,072,043	498,140	122,850	83,404	330,162	17,164	84,447	4,835,306	4,651,831
181 to 360 days	532,991	757,573	356,024	140,477	34,702	28,178	105,888	7,563	38,928	2,002,324	1,715,084
Over 360 days	2,208,262	2,566,155	768,968	265,388	68,940	53,513	236,001	36,689	80,307	6,284,223	4,829,986
Past-due	602	4,800	10,093	13,302	7,986	7,940	53,112	27,477	167,046	292,358	256,681
Up to 180 days	602	4,800	10,093	13,302	7,986	7,428	48,208	26,481	97,154	216,054	162,011
181 to 360 days	-	-	-	-	-	512	4,904	996	43,307	49,719	37,764
Over 360 days	-	-	-	-	-	-	-	-	26,585	26,585	56,906
Total Banrisul in 2 009	3,837,863	4,859,616	2,207,128	917,307	234,478	173,035	725,163	88,893	370,728	13,414,211	
Total Banrisul in 2 008	2,708,889	4,027,162	2,156,482	932,951	282,091	247,921	700,314	62,357	335,415		11,453,582

(*) Amounts up to 14 days past-due are included in the current.

(c) Portfolio Breakdown by Business Sector:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	2009	2008
Municipal Public Sector		
Government - direct and indirect administration	99,918	155,713
Corporate activity - Other services	21,562	34,907
Total Public Sector	121,480	190,620
Private sector		
Rural	1,020,929	853,145
Industry	2,962,982	2,892,648
Commerce	1,615,221	1,589,811
Financial brokers	-	247
Services and other	1,255,898	1,084,998
Individuals	5,352,420	3,880,820
Housing	1,085,281	961,293
Total Private Sector	13,292,731	11,262,962
Total	13,414,211	11,453,582

(d) Changes in allowances for loan losses, doubtful lease receivables and other receivables:

Banrisul and Banrisul Consolidated — In Thousands of Reais

	2009	2008
Opening balance	970,691	891,990
Allowance recorded in the year	421,880	256,299
Write-offs to memorandum accounts	(295,919)	(177,598)
Allowance for Losses on Other Receivables without Loan Characteristics	(79,898)	-,-
Allowance for Loan Losses per risk level	1,016,754	970,691
Allowance for loan losses		
Current Assets	418,080	269,182
Long-Term Assets	548,129	672,960
Allowance for doubtful lease receivables		
Current Assets,	1,566	2,186
Long-Term Assets	7,183	3,559
Allowance for Loan losses for Other Receivables with Loan Characteristics		
Current Assets	41,767	17,396
Long-Term Assets	29	5,408

(e) Breakdown of allowances for loans losses, doubtful lease receivables and other receivables per risk level:

Banrisul and Banrisul Consolidated — In Thousands of Reais

Risk Level	Loan Portfolio	Minimum allowance required by Resolution 2,682/99	Recorded Allowance: Minimum allowance required	Recorded Allowance: Additional allowance (Note 03(f))	Recorded Allowance: Total
AA	3,837,863	0.0%	-,-	7,551	7,551
A	4,859,616	0.5%	24,298	9,719	34,017
B	2,207,128	1.0%	22,071	11,036	33,107
C	917,307	3.0%	27,519	18,346	45,865
D	234,478	10.0%	23,448	4,690	28,138
E	173,035	30.0%	51,910	3,461	55,371
F	725,163	50.0%	362,582	14,503	377,085
G	88,893	70.0%	62,225	2,667	64,892
H	370,728	100.0%	370,728	-,-	370,728
Total in 2009	**13,414,211**		**944,781**	**71,973**	**1,016,754**
Total in 2008	**11,453,582**		**901,495**	**69,196**	**970,691**

Loans written off at loss in the year ended in December 31, 2009 and controlled based on the adjusted amount until the date of the respective write-off in a memorandum account amounted to R$295,919 thousand (2008 – R$177,598 thousand).

Recoveries of loans previously written off as loss have been recognized as income from lending operations and amounted to R$87,576 thousand (consolidated – R$68,665 thousand) in the year ended in December 31, 2009 net of losses or gains generated from these recoveries.

NOTE 08 Other Receivables

In Thousands of Reais

	Banrisul 2009	Banrisul 2008	Banrisul Consolidated 2009	Banrisul Consolidated 2008
Foreign Exchange Portfolio	**448,926**	**631,169**	**448,926**	**631,169**
Pending Setlement exchange purchased	431,159	545,719	431,159	545,719
Term bills in foreign currency	-	149	-	149
Rights to foreign exchange sold	11,626	81,416	11,626	81,416
Advances in local currency	(6,861)	(9,120)	(6,861)	(9,120)
Income receivable from advances	13,002	13,005	13,002	13,005
Income receivable	**35,544**	**44,173**	**30,833**	**39,228**
Dividends and bonuses receivable	4,711	6,721	-	1,776
Receivables from services rendered	29,657	34,959	29,657	34,959
Other	1,176	2,493	1,176	2,493
Negociation and intermediation of amounts	**-**	**-**	**4,615**	**1,858**
Negociation and intermediation of amounts	-	-	4,615	1,858
Specific Credits	**-**	**-**	**21**	**-**
Specific Credits	-	-	21	-
Sundry	**1,267,652**	**1,116,801**	**1,328,834**	**1,171,644**
Advances to Loan Guarantee Fund (1)	77,044	96,715	77,044	96,715
Advances to employees	11,257	11,017	11,301	11,058
Advances for payment by our account	487	461	6,507	6,228
Deferred income tax and social contribution (Note 22(b))	598,013	594,642	603,580	600,254
Escrow deposits	154,899	136,902	167,286	151,499
Recoverable taxes	18	10,920	3,076	12,225
Reimbursable payments	79,329	67,680	79,384	67,727
Notes and credits receivable(2)	220,427	102,251	221,324	103,273
Credit Cards	66,446	61,686	66,446	61,686
Amounts receivable from affiliated companies	655	606	-	-
Other debtors – Domestic	59,077	33,921	92,886	60,979
Allowance for losses on other receivables	**(121,694)**	**(22,804)**	**(122,110)**	**(23,785)**
Total other receivables	**1,630,428**	**1,769,339**	**1,691,119**	**1,820,114**
Current assets	**904,559**	**1,044,054**	**948,170**	**1,075,286**
Long-term assets	**725,869**	**725,285**	**742,949**	**744,828**

(1) Pursuant to the Central Bank of Brazil Circular 3,416 and Circular Letter 3,347, in the second half of 2008 Banrisul advanced the amount corresponding to sixty contributions to the Loan Guarantee Fund which will be offset against future payments. This advance meets the requirements for a Compulsory Deposit within the Central Bank in cash and interest free.

(2) Notes and Credit Receivables are described mainly as follows:

a) in the first quarter of 2005, as part of receivables recovery policy, Banrisul received as payment in kind bonds issued to pay court ordered debts of the Federal Government from several companies to settle past-due loans of such companies. As of December 31, 2009, these bonds amount to R$81,810 thousand (2008 - R$76,121 thousand). These bonds are subject to the variation of the price and interest index.

b) in Other Receivables without credit characteristics, transactions with entities of the Municipal Public Sector were registered in the amount of R$89,910 thousand related to receivables acquired from the Government of the State of Rio Grande do Sul State Government or its controlled entities. As of December 31, 2008, these credits, amounting to R$87,820 thousand, were recorded under lending operations.

NOTE 09 Permanent Assets

(a) Property and equipment

Banrisul — In Thousands of Reais

	Rate	Original Cost	Depreciation	Net Balance in 2009	Net Balance in 2008
Property in Use					
Land and Buildings in Use	4%	119,969	(97,750)	22,219	22,988
Other					
Furniture and Equipment in inventory	-	5,706	-	5,706	10,380
Property and Equipment in Progress	-	114	-	114	4,358
Facilities	10%	83,073	(72,101)	10,972	12,991
Furniture and Equipment in Use	10%	68,337	(47,038)	21,299	21,594
Other					
Communication System	10%	4,543	(4,017)	526	612
Data Processing System	20%	259,541	(157,954)	101,587	69,979
Security System	10%	9,742	(6,925)	2,817	3,104
Transportation System	20%	2,495	(2,027)	468	670
Total		**553,520**	**(387,812)**	**165,708**	**146,676**

Banrisul Consolidated — In Thousands of Reais

	Rate	Original Cost	Depreciation	Net Balance in 2009	Net Balance in 2008
Property in Use					
Land and Buildings in Use	4%	127,012	(102,227)	24,785	25,850
Other					
Furniture and Equipment in Inventory	-	5,706	-	5,706	10,380
Property and Equipment in Progress	-	115	-	115	5,159
Facilities	10%	84,270	(72,387)	11,883	13,073
Furniture and Equipment in Use	10%	71,527	(49,497)	22,030	22,375
Other					
Communication System	10%	4,544	(4,017)	527	613
Data Processing System	20%	260,195	(158,528)	101,667	70,127
Security System	10%	9,742	(6,925)	2,817	3,104
Transportation System	20%	2,560	(2,032)	528	670
Total		**565,671**	**(395,613)**	**170,058**	**151,351**

(b) Intangible Assets

In Thousands of Reais

	Rate	Original Cost	Amortization	Net Balance in 2009	Banrisul Net Balance in 2008	Banrisul Consolidated Net Balance in 2009	Banrisul Consolidated Net Balance in 2008
Intangible Assets							
Right from Acquisition of							
Payroll operations (*)							
Municipal Public Sector	20%	266,125	(102,664)	163,461	191,232	163,461	191,232
Private Sector	20%	11,683	(2,715)	8,968	7,157	8,968	7,157
Software Acquisition	20%	32,813	(25,571)	7,242	5,850	7,242	6,082
Other	-	668	(593)	75	-	458	-
Total		**311,289**	**(131,543)**	**179,746**	**204,239**	**180,129**	**204,471**

(*) It refers to agreements entered into with the municipal government and private sector entities to ensure the exclusivity in banking services for processing of payroll credit and deductible payroll loans, bill collection portfolio, supplier payment and other services. Such agreements are effective for five years and are amortized over the agreement period. No indications that these assets are impaired were identified.

NOTE 10 Deposits and Money Market Funding

Banrisul — In Thousands of Reais

	Without maturity	Up to 3 months	3 to 12 months	Over 12 months	2009	2008
Deposits						
Demand deposits	2,107,702	-	-	-	2,107,702	1,869,619
Savings deposits	5,636,799	-	-	-	5,636,799	4,805,853
Interbank deposits	-	-	89,968	-	89,968	11,981
Time deposits (*)	6,838	1,357,198	4,051,273	3,297,050	8,712,359	7,721,910
Other deposits	11,591	-	-	-	11,591	16,415
Total	**7,762,930**	**1,357,198**	**4,141,241**	**3,297,050**	**16,558,419**	**14,425,778**
Current liabilities					**13,261,369**	**11,289,466**
Long-term liabilities					**3,297,050**	**3,136,312**
Money market funding						
Own Portfolio	-	2,069,893	-	-	2,069,893	819,131
Third-party Portfolio	-	-	-	-	-	1,471,089
Total	**-**	**2,069,893**	**-**	**-**	**2,069,893**	**2,290,220**

Banrisul Consolidated — In Thousands of Reais

	Without maturity	Up to 3 months	3 to 12 months	Over 12 months	2009	2008
Deposits						
Demand deposits	2,100,614	-	-	-	2,100,614	1,864,035
Savings deposits	5,636,799	-	-	-	5,636,799	4,805,853
Interbank deposits	-	-	89,968	-	89,968	11,981
Time deposits (*)	6,838	1,295,412	3,931,448	3,297,050	8,530,748	7,557,799
Other deposits	11,616	-	-	-	11,616	16,415
Total	**7,755,867**	**1,295,412**	**4,021,416**	**3,297,050**	**16,369,745**	**14,256,083**
Current liabilities					**13,072,695**	**11,120,370**
Long-term liabilities					**3,297,050**	**3,135,713**
Money market funding						
Own Portfolio	-	2,006,497	-	-	2,006,497	763,162
Third-party Portfolio	-	-	-	-	-	1,471,089
Total	**-**	**2,006,497**	**-**	**-**	**2,006,497**	**2,234,251**

(*) Consider the maturities set for each investment.

Time deposits are made by the Bank's customers, with floating or fixed charges equivalent to 71% and 29% of the total portfolio, respectively. The average funding rate for floating-rate deposits corresponds to 97.02% (2008 – 96.80%) of the CDI variation, and for fixed-rate deposits, to 8.54% (2008 – 10.43%) p.a.

Funding through money market purchase and sale commitments operations – own portfolio – conducted with financial institutions, has an average funding rate of 100% of the CDI variation.

NOTE 11 Borrowings

Domestic Borrowings: represented by funds obtained from Central Bank of Brazil at rate auction for loans granted in foreign currency to be used in foreign exchange transactions subject to the variation of the corresponding currencies plus annual interest rates from 2.71% to 3.76% maturing in up to 148days.

Foreign Borrowings: represented by funds obtained from foreign banks to be used in foreign exchange commercial transactions subject to the variation of the corresponding currencies plus annual interest rates from 2.0% to 9.00% (2008 – 2,00 % to 11.89%) with maximum term of 294 days (2008 – 360 days).

NOTE 12 Onlendings

Banrisul and Banrisul Consolidated — In Thousands of Reais

	Domestic Onlendings - Official Institutions		Foreign Onlendings		Total	
	2009	2008	2009	2008	2009	2008
Up to 90 days	249,709	226,362	2,538	9,345	252,247	235,707
91 to 360 days	120,123	103,587	33,230	22,447	153,353	126,034
1 to 3 years	245,937	183,477	-	-	245,937	183,477
3 to 5 years	146,559	101,337	-	-	146,559	101,337
Over 5 years	180,417	100,957	-	-	180,417	100,957
Total	**942,745**	**715,720**	**35,768**	**31,792**	**978,513**	**747,512**
Current liabilities	**369,832**	**329,949**	**35,768**	**31,792**	**405,600**	**361,741**
Long-term liabilities	**572,913**	**385,771**	**-**	**-**	**572,913**	**385,771**

Internal funds for onlending refer basically to funds from Official Institutions (BNDES – National Bank for Economic and Social Development, FINAME – National Equipment Financing Authority and Caixa Econômica Federal – Federal Savings and Loan Bank). These liabilities mature on a monthly basis through July 2023, and are subject to interest of 1.00% to 3.50% (2008 – 0.90% to 3.80%) p.a., plus variation of the indexes (TJLP, U.S. dollar and Currency Basket) for floating-rate operations and up to 11.00% (2008 – 7.25%) p.a. year for fixed-rate operations. Funds are transferred to customers on the same terms and with the same funding rates, plus commission on financial intermediation. These funds are collateralized by the same guarantees received for the related loans.

NOTE 13 Other Payables

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Collected taxes and other	**28,445**	**80,948**	**28,445**	**80,948**
Receipt of federal taxes	28,423	80,927	28,423	80,927
Other	22	21	22	21
Foreign exchange portfolio	**24,134**	**91,215**	**24,134**	**91,215**
Pending Setlement exchange sold	11,653	79,218	11,653	79,218
Foreign exchange purchased	458,574	444,509	458,574	444,509
Advances on foreign exchange contracts (Note 07 (a))	(446,098)	(432,514)	(446,098)	(432,514)
Other	5	2	5	2
Social and statutory	**33,315**	**39,229**	**33,387**	**39,295**
Dividends and bonuses payable	29,366	39,229	29,438	39,295
Bonuses and profit sharing payable	3,949	-	3,949	-
Taxes and social security	**517,308**	**445,970**	**523,216**	**448,970**
Taxes and contributions payable	41,314	43,716	42,335	44,609
Reserve for taxes and social contribution	80,579	30,147	84,031	30,876
Reserve for deferred taxes and contributions (Note 22 (b2))	9,409	4,688	9,440	4,692
Reserve for tax contingencies (Note 14 (a))	386,006	367,419	387,410	368,793
Trading and intermediation of securities	**-**	**-**	**4,223**	**1,554**
Trading and intermediation of securities	-	-	4,223	1,554
Financial and development funds	**4,139,986**	**2,672,001**	**4,139,986**	**2,672,001**
Payables for financial and development funds (Note 21 (a))	4,120,636	2,651,411	4,120,636	2,651,411
Other	19,350	20,590	19,350	20,590
Sundry	**814,290**	**737,464**	**855,064**	**767,896**
Cashier's check	14,363	9,717	14,363	9,717
Creditors for unreleased funds	41,730	26,388	41,937	26,579
Payables for acquisition of assets and rights	3,751	3,137	3,847	3,224
Liabilities under government agreements	15,029	13,970	15,029	13,970
Accrued vacation and related charges	181,293	156,696	152,938	130,936
Actuarial deficit of Fundação Banrisul (Note 23)	58,648	61,349	58,648	61,349
Reserve for labor contingencies (Note 14(b))	96,599	96,176	111,571	111,313
Brazilian Central Bank fines on foreign exchange transactions (Note 14 (c))	111,105	106,493	111,105	106,493
Reserve for social security contingencies	18,783	18,783	18,783	18,783
Reserve for securitization losses (*)	7,429	12,107	7,429	12,107
Reserve for other contingencies	7,200	6,386	7,200	6,386
Reserve for debts assumed with Grupo de Empresas Seguradoras Brasileiras (GESB) arising from Companhia União de Seguros Gerais	7,538	10,017	7,538	10,017
FGTS (Severance Pay Fund) for amortization	2,569	2,583	2,569	2,583
Sundry creditors – Domestic	85,386	76,489	138,555	116,785
Card transactions payable	56,161	50,967	56,161	50,967
Other	106,706	86,206	107,391	86,687
Total Other Payables	**5,557,478**	**4,066,827**	**5,608,455**	**4,101,879**
Current Liabilities	**5,004,932**	**3,480,595**	**5,055,446**	**3,549,546**
Long-Term Liabilities	**552,546**	**586,232**	**553,009**	**552,333**

(*) The management of the Bank maintains provision for co-obligation of securitized receivables with the National Treasury, in the amount of R$43,462 thousand (2008 – R$43,404 thousand) controlled in a memorandum account, which are the responsibility of agricultural borrowers.

NOTE 14 Reserves for Tax, Labor and Civil Contingencies

(a) The reserve for tax contingencies refers mainly to Income Tax and Social Contribution on deduction of expense arising from the settlement of the actuarial deficit of Fundação Banrisul de Seguridade Social (pension plan), challenged by the Federal Revenue Service for the period from 1998 to 2002, and amounts related to the same matter for 2003 to 2005, which have not yet been challenged. Through its legal counsel, the Bank has been challenging the matter in court and, on a conservative basis, has recorded a reserve for contingencies considering the probable loss amount. As of December 31, 2008, the reserve value was R$367,419 thousand and in the twelve-month period it was supplemented by R$18,587 thousand, totaling R$386,006 thousand as of December 31, 2009.

(b) As of December 31, 2008, the Bank had a reserve for labor contingencies in the amount of R$96,176 thousand that, occurring settlements in the twelve-month period in the amount of R$59.256 thousand and a new reserve of R$59,679 thousand, totaled R$96,599 thousand in December 2009. Of the aforementioned reserve, the amount of R$78,360 thousand has been deposited in escrow accounts and is recorded under the item "Other Receivables – Escrow Deposits (Note 08)". In the consolidated balance as of December 31, twelve-month, the Bank had a labor reserve of R$111,313 thousand, that after settlements in the nine-month period of R$64,112 thousand and a new reserve of R$64,370 thousand, amounted to R$111,571 thousand in September 2009. Of the aforementioned reserve, the amount of R$90,802 thousand has been deposited in escrow.

There are other lawsuits for which a reserve for contingencies is not recognized and, based on their nature, the Bank considers the likelihood of an unfavorable outcome as possible. They amount to approximately R$47,000 thousand.

(c) On September 29, 2000, Banrisul received an assessment notice from the Central Bank of Brazil in connection with administrative proceedings related to supposed irregularities in foreign exchange transactions between 1987 and 1989. In a decision on an appeal at administrative level, Banrisul was required to pay a fine equivalent to 100% of the amount of the supposedly irregular transactions. This decision is being challenged in court by Management, which on a conservative basis and in compliance with BACEN requirements, recorded a reserve for this contingency. The balance as of December 31, 2009 is R$111,105 thousand, with an increase in the period of R$4,612 thousand.

NOTE 15 Income from Services Rendered

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Funds Management	52,933	53,984	58,566	61,175
Collection of Debt Instruments	40,088	40,893	40,096	40,896
Income from Refeisul	-	-	17,380	16,845
Income from Group Financing Management Fee	-	-	10,874	7,632
Income from Brokerage of Operations	-	-	4,253	3,680
Other Income	908	1,040	6,294	5,091
Total	**93,929**	**95,917**	**137,463**	**135,319**

NOTE 16 Income from Bank Fees

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Banricompras	69,138	54,932	69,138	54,932
Check Returns	20,079	23,975	20,079	23,975
Checking Account Debits	20,088	18,685	20,088	18,685
Collection Services	55,880	51,424	55,880	51,424
Transactions with Checks	12,510	18,944	12,510	18,944
Bank Fees from Checking Accounts	225,815	199,964	225,815	199,964
Credit Card	11,335	14,801	11,335	14,801
Other Income from Fees	27,036	20,649	27,033	20,647
Total	**441,881**	**403,374**	**441,878**	**403,372**

From the income amount of R$441,881 thousand for the period, R$229,773 thousand (2008 – R$213,874 thousand) arise from operations with individuals and R$212,108 thousand (2008 – R$189,500 thousand) from operations with legal entities.

NOTE 17 Other Administrative Expenses

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Data Processing and Telecommunication	135,158	131,870	138,725	134,460
Security and Money Transportation	76,268	67,511	76,268	67,815
Amortization and Depreciation	92,943	88,800	93,779	89,660
Rentals	47,340	38,685	45,930	37,408
Supplies	19,483	22,251	19,534	22,307
Outside Services	106,853	97,200	109,114	99,553
Advertising, Promotions and Publicity	99,538	91,507	100,398	92,197
Maintenance	19,794	18,331	20,105	18,679
Water, Electricity and Gas	17,897	17,052	18,092	17,227
Financial System Services	16,669	13,825	17,400	14,292
Other	37,902	31,024	39,540	32,148
Total	**669,845**	**618,056**	**678,885**	**625,746**

NOTE 18 Other Operating Income

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Recovery of Charges and Expenses	47,662	44,638	42,899	40,779
Reversal of Operating Reserves for:				
Losses on Equity Investments	346	962	346	962
Labor	-	1,361	-	1,361
Other Assets	4,572	8,992	4,572	8,992
Reserve for Securitization Losses (Note 13)	5,510	6,347	5,510	6,347
Other Taxes	42	1,744	42	1,744
Commission on Capitalization Cerficates	3,293	4,468	3,293	4,468
Interbank Fees	21,085	21,865	21,085	21,865
Foreign exchange adjustment	-	34,725	-	34,725
Credit Notes Receivable	5,707	10,099	5,707	10,099
Reserve Fund - Escrow Deposit - Law 12,069	15,122	15,402	15,122	15,402
Commission and Administration Fee on Placement of Insurance	1,750	1,110	1,750	1,110
Other Operating Income	39,132	43,270	43,385	45,364
Total	**144,221**	**194,983**	**143,711**	**193,218**

NOTE 19 Other Operating Expenses

	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Discount Granted from Renegotiations	5,526	4,531	5,526	4,531
Reserves for Labor Provisions (Note 14 (b))	59,679	15,643	64,370	15,895
Losses on Investment	482	1,187	482	1,187
Provision for Properties - Assets not in use	962	415	962	415
Provision for Securitization Losses	831	4,126	831	4,126
Provision for Civil Lawsuits	1,783	338	1,783	338
Collection of Federal Taxes	1,813	1,131	1,813	1,131
Inflation Adjustment of Reserve for Tax Contingencies (Social Contribution / Income Tax) - (Note 14 (a))	18,587	21,687	18,587	21,687
Lawsuits Indemnifications	4,365	4,073	4,365	4,073
Inflation Adjustment of Brazilian Central Bank fines on Foreign Exchange (Note 14 (c))	4,612	5,381	4,612	5,381
Inflation Adjustment of Actuarial Deficit of Fundação Banrisul (Note 23)	2,505	9,833	2,505	9,833
Overdraft Accounts and Banricompras Premiável	770	4,522	770	4,522
Provision for Debts Assumed with GESB	457	4,010	457	4,010
Exchange Adjustment - Foreign Branches	38,215	-	38,215	-
Lawsuits	5,677	10,228	5,677	10,228
Cards	3,875	5,248	3,875	5,248
Other Operating Expenses (*)	71,344	43,350	72,811	43,714
Total	**221,483**	**135,703**	**227,641**	**136,319**

(*) For the year ended December 31, 2009, the amount of R$39,124 thousand refers mainly to expenses to meet reserve requirements relating to savings deposits from previous periods.

NOTE 20 Shareholders´ Equity - Banrisul

(a) Capital

Fully subscribed paid-up capital as of December 31, 2009 is R$2,600,000 thousand and it is represented by 408,974 thousand shares without par value as follows:

	ON		PNA		PNB		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Rio Grande do Sul State	204,199,859	99.59	2,721,484	70.75	26,086,957	13.04	233,008,300	56.97
Fundação Banrisul de Seguridade Social (pension plan)	449,054	0.22	158,983	4.13	-,-	0.00	608,037	0.15
Social Security Institute of Rio Grande do Sul State	44,934	0.02	168,612	4.38	-,-	0.00	213,546	0.05
Other	349,527	0.17	797,513	20.74	173,997,554	86.96	175,144,594	42.83
Total	**205,043,374**	**100.00**	**3,846,592**	**100.00**	**200,084,511**	**100.00**	**408,974,477**	**100.00**

On March 31, 2009, the Extraordinary Shareholders' Meeting approved the capital increase by incorporation of the Profits Reserve in the amount of R$300,000 thousand, with no new shares issued, homologated by the Central Bank of Brazil in July 2009.

Preferred shares do not carry voting rights and are entitled to the following payments:

Class A Preferred Shares:

i) Priority to receive a non-cumulative, preferred fixed dividend of six percent (6%) p.a., calculated over the quotient resulting from the division of capital by the number of shares composing it;

ii) Right to take part, after the payment to Class B Common and Preferred Shares of a dividend equal to that paid to those shares, in the distribution of any other dividends or bonuses in cash distributed by the Bank, under equal conditions with Class B Common and Preferred Shares, adding ten percent (10%) over the amount paid to those shares;

iii) Interest in capital increases deriving from the capitalization of reserves, under equal conditions of Class B Common and Preferred Shares;

iv) Priority in capital reimbursement, without premium; and

v) Interest on capital may be attributed to Mandatory Dividend, this composing Dividends Paid by the Bank.

Class B Preferred Shares:
i) Interest in capital increases deriving from the capitalization of reserves, under equal conditions of Class A Common and Preferred Shares;

ii) Priority in capital reimbursement, without premium; and

iii) Interest on capital may be attributed to Mandatory Dividend, this composing Dividends Paid by the Bank.

(b) Allocation of Income
Net Income for the year, adjusted in accordance with Law 6,404/76, will have the following allocations: (i) 5% to the Legal Reserve, which will not exceed 20% of Capital, (ii) 25% to the Statutory Reserve, and (iii) mandatory minimum dividends up to the limit of 25% of adjusted net income. The remaining net income will be allocated as decided in the Shareholders´ Meeting.

The Statutory Reserve is intended to ensure funds for investments in the information technology area, and is limited to 70% of paid-up capital.

In March 2009, the Extraordinary Shareholders' Meeting approved the proposal for the distribution of additional dividends for 2009, in the percentage equivalent to 15% of the Adjusted Net Income, totaling 40%.

As permitted by Law no. 9,249/95, Banrisul's management paid interest on capital in the amount of R$179,201 thousand referring to the period from January to December 2009, to be credited to dividends, net of withholding income tax.

The payment of this interest on capital resulted in a tax benefit for the Bank in the amount of R$75,610 thousand (2008 – R$63,982 thousand) (Note 22).

The payment of interest on capital and dividends is represented as follows:

	In Thousands of Reais	
	2009	2008
Net Income	**541,096**	**590,873**
Adjustment		
- Legal Reserve	(27,055)	(29,544)
Calculation Basis of Dividends	**514,041**	**561,329**
Minimum Mandatory Dividend 25%	128,510	140,332
Complementary Dividend 15% (10% for 2008)	77,106	56,133
Total Dividends	**205,616**	**196,465**
A) Interest on Capital	**179,201**	**157,937**
Paid		
- Common Shares (R$462.11706 per thousand shares)	94,754	84,455
- Preferred Shares Class A (R$470.18458 per thousand shares)	1,813	1,636
- Preferred Shares Class B (R$462.11706 per thousand shares)	92,458	82,407
- Income Tax Withheld at Source	(9,824)	(10,561)
B) Dividends Provisioned	**26,415**	**38,528**
- Common Share (R$64.52758 per thousand shares)	13,231	19,298
- Preferred Shares Class A (R$70.98034 per thousand shares)	273	400
- Preferred Shares Class B (R$64.52758 per thousand shares)	12,911	18,830
Total Interest on Capital and Dividends (A+B)	**205,616**	**196,465**

NOTE 21 Commitments, Guarantees and Other

(a) On April 22, 2004, State Law 12,069, amended by Law 12,585 of August 29, 2006, was approved, under which the Bank must make available, when required, to Rio Grande do Sul State up to 85% of the escrow deposits made by third parties with the Bank (except for those in which the litigant is a municipality). The remaining amount not available is recorded in a reserve fund to ensure the refund of said escrow deposits. As of December 31, 2009, the amount of escrow deposits made by third parties with the Bank, adjusted through the balance sheet date by the TR (managed prime rate) variation plus interest of 6.17% p.a., totaled R$6,163,636 thousand (2008 – R$4,694,411 thousand), of which R$2,043,000 thousand (2008 – R$2,043,000 thousand) was transferred to the State upon its request and written off from the respective equity accounts. The remaining balance, which makes up the aforementioned fund managed by Banrisul, is recorded in Other Payables - Financial and Development Funds (Note 13).

(b) Sureties and guarantees granted to customers amount to R$579,811 thousand (2008 – R$525,713 thousand), and are subject to financial charges and backed by the beneficiaries' sureties.

(c) The Bank is responsible for the custody of 367,837 thousand securities of customers (2008 – 311,254 thousand).

(d) The Bank has co-obligations in import credits in the amount of R$55,860 thousand (2008 – R$53,083 thousand).

(e) The Bank manages various funds and portfolios, which have the following net assets:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Investment funds (*)	4,813,088	4,215,003	4,990,717	4,327,703
Investment funds in investment fund quotas	85,623	56,831	85,623	56,831
Fund to Guarantee the Liquidity of Rio Grande do Sul State Debt Securities	936,447	1,470,342	936,447	1,470,342
Managed portfolios	415,939	353,391	431,739	353,391
Credit Rights Investment Fund	24,140	64,144	24,140	64,144
Investment Clubs	-	-	433	-
Total	**6,275,237**	**6,159,711**	**6,469,099**	**6,272,411**

(*) The investments fund portfolios consist basically of fixed-rate and variable rate government bonds, and their carrying amounts already reflect mark-to-market adjustments at the balance sheet date.

(f) The subsidiary Banrisul S.A. Administradora de Consórcios is responsible for the management of 108 consortium groups (96 in 2008), distributed among real estate, motorcycles, vehicles and tractors, gathering 20,189 active consortium members (18,863 in 2008).

(g) The Bank rents properties, manly used for branches, based on standard contracts which may be cancelled as its own criterion and include the right to opt for renewal and adjustment clauses. Total future minimum payments of not-cancelable rent as of December 31, 2009 is R$89,464 thousand, of which R$30,169 thousand matures in up to one year, R$50,043 thousand from one to five years and R$9,252 thousand in more than five years. Payments for leases, recognized as expenses for the period, were R$43,545 thousand.

NOTE 22 Income Tax and Social Contribution

(a) Conciliation of Expenses/Revenue with Income Tax and Social Contribution

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Income for the Period before Taxes and Profit Sharing	**837,762**	**687,512**	**853,267**	**704,239**
Income Tax on Profit - Rate 25%	(209,441)	(171,878)	(213,317)	(176,060)
Social Contribution on Profit - Rate 9%	-	(17,183)	(922)	(18,365)
Social Contribution on Profit - Rate 15% (*)	(125,664)	(74,488)	(126,453)	(75,628)
Total Income Tax and Social Contribution calculated at Effective Rate	**(335,105)**	**(263,549)**	**(340,692)**	**(270,053)**
Effect of the Increase of the CSLL rate on Credit Tax (*)	-	86,285	-	86,276
Adjustment of Fine on Foreign Exchange Operations	(1,845)	(2,057)	(1,845)	(2,057)
Profit Sharing	17,750	11,990	17,750	11,990
Interest on Capital	75,610	63,982	75,610	63,982
Equity in Subsidiaries and Foreing Exchange Adjustment on Branches	(4,276)	28,218	(15,286)	13,890
Other Additions, Net of Exclusions	(4,424)	5,063	(3,134)	9,371
Recognition of Tax Credit from Prior Periods	-	3,409	-	3,409
Total Income Tax and Social Contribution	**(252,290)**	**(66,659)**	**(267,597)**	**(83,192)**

(*) Law 11,727 as of June 23, 2008, changed the Social Contribution on Net Income (CSLL) rate of the financial industry, increasing it from 9% to 15% as of May 2008.

(b) Deferred Income Tax and Social Contribution

In December 2009, the Bank had Deferred Income Tax and Social Contribution Credits on temporary differences as follows:

(b1) Tax credits

Tax credit balances, by origin and disbursements made, are as follows:

Banrisul				In Thousands of Reais
	Balance on 12/31/2008	Recognition(*)	Realization	Balance on 12/31/2009
Allowance for loan losses	463,689	194,003	225,322	432,370
Reserve for labor contingencies	38,470	27,764	27,594	38,640
Reserve for tax contingencies	62,624	7,607	172	70,059
Other temporary provisions	29,882	31,959	4,874	56,967
Total tax credits on temporary differences	**594,665**	**261,333**	**257,962**	**598,036**
Unrecorded credits	(23)	-	-	(23)
Total tax credits recorded	**594,642**	**261,333**	**257,962**	**598,013**
Deferred tax liabilities	(4,688)	(4,721)	-	(9,409)
Tax credits, net of deferred liabilities	**589,954**	**256,612**	**257,962**	**588,604**

(*) Includes the effects of the changes in the Social Contribution on Net Income (CSLL) rate, as described in item (a).

Banrisul Consolidated				In Thousands of Reais
	Balance on 12/31/2008	Recognition(*)	Realization	Balance on 12/31/2009
Allowance for loan losses	463,689	194,003	225,322	432,370
Reserve for labor contingencies	43,615	29,568	29,453	43,730
Reserve for tax contingencies	63,091	7,617	172	70,536
Other temporary provisions	29,882	31,959	4,874	56,967
Total tax credits on temporary differences	**600,277**	**263,147**	**259,821**	**603,603**
Unrecorded credits	(23)	-	-	(23)
Total tax credits recorded	**600,254**	**263,147**	**259,821**	**603,580**
Deferred tax liabilities	(4,692)	(4,813)	(65)	(9,440)
Tax credits, net of deferred liabilities	**595,562**	**258,334**	**259,756**	**594,140**

(*) Includes the effects of the increase in Social Contribution on Net Income (CSLL) rate, as described in item (a).

Expected realization of these receivables are as follows:

					In Thousands of Reais
				Banrisul	Banrisul Consolidated
	Temporary Differences				
Year	Income Tax	Social Contribution	Total	Total Recorded	Total Recorded
2010	76,806	46,084	122,890	122,890	123,447
2011	120,641	72,385	193,026	193,026	193,583
2012	95,087	57,052	152,139	152,139	152,696
2013	64,763	38,858	103,621	103,621	104,178
2014	13,983	8,390	22,373	22,373	22,930
2015 to 2017	2,099	1,260	3,359	3,359	5,029
2018 to 2020	378	227	605	605	1,717
After 2020	15	8	23	-,-	-,-
Total on 12/31/2009	**373,772**	**224,264**	**598,036**	**598,013**	**603,580**
Total on 12/31/2008	**371,665**	**223,000**	**594,665**	**594,642**	**600,254**

The total consolidated present value of tax credits is R$493,438 thousand, calculated based on the expected realization of temporary differences at average funding rate projected for the corresponding periods.

(b2) Deferred Tax Liabilities

The balance of the Reserve for Deferred Taxes and Contributions is represented by:

	In Thousands of Reais			
	Banrisul		Banrisul Consolidated	
	2009	2008	2009	2008
Excess Depreciation	(9,332)	(4,685)	(9,332)	(4,685)
Available for Sale Securities	(12)	(3)	(12)	(3)
Adjustment to Fair Value of Trading Securities	(65)	-	(96)	(4)
Total	**(9,409)**	**(4,688)**	**(9,440)**	**(4,692)**

NOTE 23 Fundação Banrisul de Seguridade Social e Cabergs - Caixa de Assistência dos Empregados do Banco do Estado do Rio Grande do Sul

Banrisul is the main sponsor of Fundação Banrisul de Seguridade Social ("Fundação Banrisul"), which is mainly engaged in supplementing the benefits covered and provided by the Social Security to the employees of the Bank, Banrisul Serviços, and Cabergs, and carrying out social security programs promoted by its sponsors.

On July 6, 2009, a new retirement benefit plan named Banrisulprev was approved and has been offered to non members of the Benefit Plan I since then. This new variable contribution benefit plan became effective in November 2009. As a result of the implementation of this new plan, new members are no longer allowed to join the Benefit Plan I.

To attain its objectives, Fundação Banrisul receives monthly contributions from its sponsors and participants, which are calculated based on the monthly compensation of employees and their beneficiaries. The Bank's contribution amount of R$11,247 thousand (2008 - R$9,775 thousand) for the year, which, as of December 31, 2009, corresponds to 3.63% (2008 – 3.45%) of the monthly payroll of employees' contribution salaries, was recorded in operating expenses.

Benefit Plan I - In the defined benefit type, Benefit Plan I provides retirement and survivorship benefits, sick pay, inmate pension, funeral allowance and annual bonus.

The active participant's normal contribution corresponds to the monthly amount equivalent to the result of the application of the following fees:

a) Fixed general percentage of 3% applicable to the contribution salary;

b) First additional percentage of 2% applicable to the contribution salary surplus (if any) on half of the highest Social Security benefit salary; and

c) Second additional percentage of 7% applicable to the contribution salary surplus (if any) on the highest Social Security benefit salary.

Banrisul's remaining portion of the contracted debt related to this plan in the amount of R$58,648 thousand as of December 31, 2009 (2008 – R$61,349 thousand) is recorded in Other payables (note 13). In addition to this debt, Banrisul pays interest of 6% per year with final maturity in 2028, which is monthly adjusted based on the General Price Index – Domestic Availability (IGP-DI).

Banrisulprev - In the variable contribution type, Banrisulprev provides benefits with defined contribution characteristics, such as regular retirement, early retirement and funeral allowance, and benefits with defined benefit characteristics, such as disability retirement, proportional benefits, sick pays, annual bonus, minimum benefit and survivorship benefit.

The participant's normal contribution is comprised of three portions:
a) Basic portion: 1% on the contribution salary;
b) Additional portion: may vary from 1% to 7.5% on the contribution salary portion that exceeds 9 reference units; and
c) Variable portion: percentage applied on the contribution salary annually established by the actuary to cover 50% of the costs of risk benefits and the plan's administrative expenses. In addition to the regular contribution, the participant may opt to make a contribution not lower than 1 reference unit and not paid by the sponsor.

The Bank's contributions are equal to the participants' normal contributions.

Medical and dental care - Banrisul offers medical and dental care to its employees and Fundação Banrisul's retirees through Cabergs.

As of December 31, 2009, the actuarial appraisal of post-employment benefits related to defined benefits and health care granted to its employees was as follows:

	In Thousands of Reais			
	Benefit Plan I	Banrisulprev Plan	Medical and dental Care	Total
Present obligation of actuarial obligations	(2,301,202)	(669)	(107,882)	(2,409,753)
Fair value of Fundação Banrisul's assets	2,491,893	103	92,989	2,584,985
Gains /Losses and cost of unrecognized Gains /Losses and cost of unrecognized services	111,681	566	25,033	137,280
Actuarial assets (liabilities)	**302,372**	**-**	**10,140**	**312,512**

The main actuarial assumptions used as of December 31, 2009 are as follows:
- Discount rate: 11.40% p.a.
- Expected return rate of pension plans' assets:
    - Defined benefit plan: 12.36% p.a.
    - Variable contribution plan: 12.39% p.a.
    - Medical and dental care: 10.58% p.a.
- Future salary increase rate: 6.59% p.a.
- Increase in average costs: 7.64% p.a.
- Inflation: 4.50% p.a.
- Mortality table: AT – 2000.

NOTE 24 Financial Instruments

The main risks related to financial instruments are credit risks, market risks and liquidity risks, as follows:

Credit risk - it is the possibility of the Bank incurring losses related to the nonperformance of a loan or financial obligation by the counterparty.

Credit risk management in Banrisul is carried out through statistical models that allow continuous improvement of the credit granting process. Banrisul continuously performs adherence tests per period, monitoring credit portfolio shifts, customer and sector concentration and default levels.

Market risk - it is directly related to the fluctuation of prices and rates, that is, to the fluctuation of the stock exchange, interest rate market and foreign exchange inside and outside Brazil that affects the prices of the assets and liabilities negotiated in the market.

Liquidity risk - it is related to a mismatch between the cash flows of assets and liabilities, affecting the institution's financial capacity to obtain funds to honor its obligations.

The purpose of market and liquidity risk politicizes is to mitigate possible losses resulting from fluctuations in market price, currency and asset and liability interest rates and from cash flow mismatches. The Bank may use, among other choices, derivatives.

Banrisul has not contracted operations known as "target forward swap" or any other leveraged derivative because its policies do not provide for operations whose objective is not to hedge its assets and liability positions.

Except for the "swap" agreements referred to in Note 5(d), Banrisul has deemed its exposures to the risks mentioned above as reasonable and has not contracted new operations involving Derivative Financial Instruments.

Sensitivity analysis - Although swap operations in the Bank's portfolio and underlying transactions are subject to floating rates equivalent to those prevailing in the market, in compliance with CVM Resolution 475/08, the possible impacts on cash flows and on gains compared to the market for similar transactions are shown below.

The impacts of financial exposures of the Banking portfolio (especially for interest rate and foreign exchange factors) shown in the following chart is not necessarily and indication of potential loss for the Bank, since these operations are funded by deposits, which are a natural hedge for possible interest rate fluctuations. The Bank's intention is to hold these operations to maturity and use them to hedge transactions conducted with customers.

The chart below shows the possible impacts of derivatives (Banking portfolio) exposures on cash flows and hedged instruments as of December 31, 2009, under three different scenarios (sensitivity analysis):

Risk Factors	In Thousand of Reais 12/31/2009 Scenarios 1	2	3
Derivatives - Swap			
Exposures subject to interest rate variations	(157,719)	(182,334)	(206,504)
Exposures subject to foreign exchange variations	(29,785)	(32,419)	(36,343)
Hedged Financial Instrument (1)			
Exposures subject to interest rate variations	179,338	252,397	368,859
Exposures subject to foreign exchange variations	52,533	57,291	63,758
Net Value	**44,367**	**94,935**	**189,770**

(1) Adjusting a financial instrument consists of obtaining the gains that fixed-rate securities will have above market rates, considering the scenarios.

Scenario 1: based on market information (BM&FBovespa, Anbima, etc) a 50 base-point stress test was applied on foreign exchange variation and interest rate.

Scenario 2: a 25% stress test was applied to the respective price curves (interest rate, foreign exchange) based on the market as of December 31, 2009; the main risk refers to a downturn scenario for interest rates and an upward trend in foreign exchange rate.

Scenario 3: a 50% stress test was applied to the respective price curves (interest rate and, foreign exchange rate) based on the market as of December 31, 2009; the main risk refers to a downturn scenario for interest rates and an upward trend in foreign exchange rate.

NOTE 25 Transactions with Related Parties

Banrisul's commercial relations with the Rio Grande do Sul State Government and its subsidiaries, Companhia Estadual de Energia Elétrica (CEEE), Companhia Rio-Grandense de Saneamento (CORSAN), Companhia de Gás do Rio Grande do Sul (SULGÁS), Centrais de Abastecimento do Rio Grande do Sul S.A. (CEASA), Companhia Estadual de Silos e Armazéns (CESA), Companhia Rio-Grandense de Artes Gráficas (CORAG), Companhia Rio-Grandense de Mineração (CRM) and Companhia de Processamento de Dados do Estado do Rio Grande do Sul (PROCERGS), are described below:

Rio Grande do Sul State Government - On June 29, 2007, Cooperation Agreement 1959/2007 was entered into between Banrisul and Rio Grande do Sul State Government, under

which Banrisul will provide to the Government, on an exclusive basis and for a five-year period, banking services related to the payment of active and inactive servants, lifetime and special pensioners of the Executive Branch (Direct Administration), and pension plan pensioners (Social Security of the Rio Grande do Sul State – IPERGS) and the Government gives the Bank the right to grant payroll loans. In view of the reciprocity of services provided, under this Agreement Banrisul releases the Rio Grande do Sul State Government from costs related to the provision of banking services, such as the collection of revenue and state taxes, debt to bank account, FGTS (severance pay fund) statement and mortgage loan collection services.

The Bank also provides services related to the financial transfers made by the government departments of amounts related to social programs and updates information related to inactive servants and holders of special or lifetime pension plans of the Direct Administration. These services are not paid.

The Bank also pays the suppliers of the Public Finance System and processes changes related to the Cash Management Integrated System (SIAC), which is responsible for centralizing in one bank account the cash and cash equivalents of the Direct and Indirect State Administration and its subsidiaries. These services are not paid.

The Bank provides other services to foundations and government agencies, such as payment services through payment forms and the supply of meal and fuel tickets. For the year ended December 31, 2009, these services generated income in the amount of R$7,651 thousand. The Bank offers a solution for the management of e-commerce through the Compras Pregão On Line portal. This service is not paid.

The Bank purchased FCVS credit rights, as described in note 06, and receivables assignment agreements in the amount of R$457,576 thousand. These receivables were purchased with negative goodwill and their index was changed to Selic through a swap agreement, as described in note 05.

For the year ended December 31, 2009, the Bank's lease agreements on the State Government's properties generated expenses in the amount of R$1,215 thousand.

Also, the Bank has with the State Government an agreement whereby the State Government assigned 12 employees from the dissolved Caixa Econômica Estadual to the Bank and received 11 employees to work in Government departments and foundations. These employee-related costs are refunded by the parties.

Companhia Estadual de Energia Elétrica (CEEE) - The Bank is responsible for the provision of banking services related to personnel payment, including payroll loan operations. The payment of consumption accounts issued by CEEE and the supply of meal and fuel tickets is also the responsibility of the Bank, which for the year ended December 31, 2009 was

paid R$3,605 thousand to perform these services. The Bank offers a solution for the management of e-commerce through the Compras Pregão On Line portal.

Companhia Riograndense de Saneamento (CORSAN) - The Bank is responsible for the provision of banking services related to the payment of personnel, including payroll loan operations. The payment of consumption accounts issued by Corsan and the supply of meal and fuel tickets is also the responsibility of the Bank, which for the year ended December 31, 2009 was paid R$3,387 thousand to perform these services. The Bank offers a solutions fot the management of e-commerce through the Compras Pregão On Line portal.

The Bank intermediates the implementation of the financial flow expected from the agreements entered into by this company and the National Bank for Economic and Social Development (BNDES). There are no guarantees pledged and/or compensation related to these operations.

SULGÁS, CEASA, CESA, CORAG, CRM and PROCERGS - The Bank is responsible for the provision of banking services related to the payment of personnel and has an agreement with SULGÁS, CEASA and CESA for payroll loan operations. Services related to the e-payment issued by these Companies and the supply of meal and fuel tickets is also the responsibility of the Bank, which for the year ended December 31, 2009 was paid R$262,000 to perform these services. The Bank offers a solution for the management of e-commerce through the Compras Pregão On Line portal.

SULGÁS has investments whose yield is indexed to the CDI variation. The Bank intermediates the implementation of the financial flow expected from the agreements entered into by this company and the National Bank for Economic and Social Development (BNDES). There are no guarantees pledged and/or compensation related to these operations.

CaixaRS Agência de Fomento - The Bank is responsible for providing banking services related to the payment of personnel including payroll loan operations. The payment of collection bills issued by CaixaRS and the supply of meal and fuel tickets is also the responsibility of the Bank, which for the year ended December 31, 2009 was paid R$44 thousand to perform these services. The Bank also manages purchases through the Compras Pregão On Line portal.

Also, the Bank has with an agreement whereby CaixaRS received 9 employees from Banrisul. These employee-related costs are refunded by the parties.

Banco Regional de Desenvolvimento do Extremo Sul (BRDE) - The Bank is responsible for providing banking services related to the payment of personnel,

including payroll loan operations, for employees working in the State of Rio Grande do Sul, and is also responsible for collection services.

Fundação Banrisul de Seguridade Social - As described in Note 23, the Bank has debt contracted in March 31, 1998 related to the remaining portion of the actuarial deficit, amounting to R$58,648 million. This deficit is paid plus interest of 6% p.a. and restated by the General Price Index-Internal Availability (IGP-DI), through monthly updates, with deadline in 2028.

The Bank is responsible for providing banking services related to the payment of personnel as well as retirement and pension payments to beneficiaries registered at Fundação Banrisul. The Fundação also has an exclusive investment fund managed by the Bank for which, in the year ended December 31, 2009, the Bank received R$350,000 as income from services rendered. Fundação Banrisul has investments whose yield is indexed to the CDI variation.

The Bank has leased properties belonging to the Fundação Banrisul, which generated at the year ended December 31, 2009, expenses in the amount of R$5,449 million.

All paid transactions were hired at rates compatible with those paid to third parties existing at the dates of such transactions.

Transactions with related parties are as follows:

Banrisul				In Thousands of Reais
	Assets (Liabilities)		Income (Expense)	
	2009	2008	2009	2008
Derivatives	**104,247**	**78,628**	**23,945**	**(17,548)**
State of Rio Grande do Sul Government	104,247	78,628	23,945	(17,548)
Collection Services	**5,072**	**5,072**	**-**	**-**
State of Rio Grande do Sul Government	5,072	5,072	-	-
Other Credits	**10,544**	**5,204**	**5,249**	**4,373**
State of Rio Grande do Sul Government	5,621	-	-	-
Subsidiaries	4,923	5,204	5,249	4,373
Demand Deposits	**(163,398)**	**(244,383)**	**-**	**-**
State of Rio Grande do Sul Government	(156,309)	(238,799)	-	-
Subsidiaries	(7,089)	(5,584)	-	-
Time Deposits	**(181,610)**	**(164,111)**	**(10,529)**	**(12,546)**
Subsidiaries	(181,610)	(164,111)	(10,529)	(12,546)
Money Market Funding	**(999,841)**	**(1,526,311)**	**(178,246)**	**(218,921)**
State of Rio Grande do Sul Government (a)	(936,445)	(1,470,342)	(172,705)	(212,421)
Subsidiaries	(63,396)	(55,969)	(5,541)	(6,500)
Other Payables	**(103,013)**	**(109,477)**	**(13,306)**	**(12,101)**
State of Rio Grande do Sul Government	(15,182)	(21,971)	(1,215)	(1,029)
Banrisul foundation	(59,108)	(61,406)	(10,655)	(9,749)
Subsidiaries	(28,723)	(26,100)	(1,436)	(1,323)
Total	**(1,327,999)**	**(1,955,378)**	**(172,887)**	**(256,743)**

(a) These funds receive 100% of the CDI variation.

Banrisul Consolidated	Assets (Liabilities)		Income (Expense)	In Thousands of Reais
	2009	2008	2009	2008
Cash	**19,864**	**18,392**	**1,800**	**2,187**
State of Rio Grande do Sul Government	19,864	18,392	1,800	2,187
Derivatives	**104,247**	**78,628**	**23,945**	**(17,548)**
State of Rio Grande do Sul Government	104,247	78,628	23,945	(17,548)
Derivatives	**5,072**	**5,072**	**-**	**-**
State of Rio Grande do Sul Government	5,072	5,072	-	-
Other Credits	**12,405**	**5,905**	**787**	**765**
State of Rio Grande do Sul Government	12,405	5,905	787	765
Demand Deposits	**(156,309)**	**(238,799)**	**-**	**-**
State of Rio Grande do Sul Government	(156,309)	(238,799)	-	-
Money Market Funding	**(936,445)**	**(1,470,342)**	**(172,705)**	**(212,421)**
State of Rio Grande do Sul Government	(936,445)	(1,470,342)	(172,705)	(212,421)
Other Payables	**(74,290)**	**(83,377)**	**(11,870)**	**(10,778)**
State of Rio Grande do Sul Government	(15,182)	(21,971)	(1,215)	(1,029)
Banrisul Foundation	(59,108)	(61,406)	(10,655)	(9,749)
Total	**(1,025,456)**	**(1,684,521)**	**(158,043)**	**(237,795)**

(a) These funds receive 100% of the CDI variation.

Remuneration of the Senior Management

Yearly, at the General Shareholders' Meeting, it is defined:

a) The total annual remuneration of the Management, the members of the Board, the members of the Audit Committee and members of the Audit Committee as stated in the Company's By-Laws; and

b) The allowance to cover Complementary Pension Plans Additional on behalf of the Senior Management, included in the Private Pension Plan for the Bank and its subsidiaries' Management and Employees.

In 2009, it was fixed the maximum annual individual amount of R$269,000 thousand as remuneration and bonuses paid to the members of the Board of Administration, Board of Executive Officers, Fiscal Council and Audit Committee.

Short Term Benefits paid to Senior Management

	In Thousands of Reais	
	2009	2008
Salaries	2,779	1,897
Bonuses	59	50
Social Security	642	524
Total	**3,480**	**2,471**

Banrisul pays in full defined benefit pension plan to administrators who belong to the staff.

	In Thousands of Reais	
Post-Employment Benefits	**2009**	**2008**
Defined Contribution Pension Plan	17	14

The Bank has contracted liability insurance to Officers and Councils Members, having disbursed in the year of 2009 the amount of R$482,000, validity for the year 2010.

Banrisul does not offer any long-term benefits, termination of employment contracts or stock-based compensation for its Senior Management.

Additional information

1) According to existing legislation, financial institutions may not grant loans or advances to:

a) Directors and members of advisory, administrative or fiscal councils and the like, as well as their spouses and relatives up to the 2nd degree;

b) Individuals or entities that participate in its Equity, with more than 10%; and

c) legal entities whose capital involved, with more than 10%, the very financial institution, any directors or officers of the institution as well as their spouses and relatives up to the 2nd degree.

Thus, it is not made by the Bank loans or advances to any subsidiary, members of the Board or the Executive Board and their families.

2) Shareholding

Members of the Board, the Board of Directors, the Fiscal Council and Audit Committee had together the following shareholdings in the Bank as of December 31, 2009.

SHARES	AMOUNT
Voting Shares	12
Common Shares	157
TOTAL SHARES	**169**

NOTE 26 Autorization for Completion of the Financial Statements

Banrisul's Board of Executive Officers authorized the completion of these financial statements on February 03, 2010, which consider subsequent events occurred to this date that might affect these financial statements

BANCO DO ESTADO DO RIO GRANDE DO SUL S.A.

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