

BASE PROSPECTUS SUPPLEMENT

**THIS BASE PROSPECTUS SUPPLEMENT SHOULD BE READ IN CONJUNCTION WITH THE BASE PROSPECTUS
DATED APRIL 30, 2009**



BANCO BRADESCO S.A.,
*(a company incorporated under the laws of the Federative Republic of Brazil),
acting through its principal office in Brazil*

BANCO BRADESCO S.A.,
acting through its Grand Cayman branch

BANCO BRADESCO S.A.,
acting through its New York branch

US\$2,500,000,000 Global Medium-Term Note Program

This Base Prospectus Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus dated April 30, 2009 (the “**Base Prospectus**”) relating to the US\$2,500,000,000 Medium-Term Note Program (the “**Program**”) of Banco Bradesco S.A., acting through its principal office in Brazil, Banco Bradesco S.A., acting through its Grand Cayman branch and Banco Bradesco S.A., acting through its New York branch (each, an “**Issuer**” and, together, the “**Issuers**”). Terms and expressions which are defined in the Base Prospectus and which are not otherwise defined in this Base Prospectus Supplement have the same respective meanings herein.

March 17, 2010

This Base Prospectus Supplement constitutes a Supplement to the Base Prospectus dated April 30, 2009 for the purposes of Article 13 of the Luxembourg Prospectus Law of July 10, 2005 (the “**Luxembourg Law**”).

We have not authorized the making or provision of any representation or information regarding ourselves or the Notes other than as contained or incorporated by reference in the Base Prospectus, this Base Prospectus Supplement or any Final Terms, or as approved for such purpose by us. Any such representation or information should not be relied upon as having been authorized by us or the Dealers. The delivery of the Base Prospectus, this Base Prospectus Supplement, any further supplement hereto and any Final Terms or any sale made hereunder shall not, in any circumstance, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any date subsequent to the date as of which it is given herein.

Neither the Base Prospectus nor this Base Prospectus Supplement constitutes an offer to sell or an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction, nor does the Base Prospectus or this Base Prospectus Supplement constitute an invitation to purchase any Notes and should not be considered as a recommendation by us or the Dealers that any recipient of the Base Prospectus or this Base Prospectus Supplement should purchase any Notes. The distribution of the Base Prospectus, or any part thereof, including this Base Prospectus Supplement or any Final Terms, and the offer and sale of the Notes in certain jurisdictions may be restricted by law. The Base Prospectus and this Base Prospectus Supplement may only be used for the purpose for which they are published. Persons into whose possession the Base Prospectus and this Base Prospectus Supplement come are required by us and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and on distribution of this Base Prospectus Supplement and other offering material relating to the Notes, see “Subscription and Sale” in the Base Prospectus.

Having made all reasonable inquiries, we confirm that the Base Prospectus and this Base Prospectus Supplement contain or incorporate by reference all information with regard to each of us and our subsidiaries and affiliates, Brazil, the banking, insurance and leasing industries in Brazil and the Notes which is material in the context of the issue of the Notes, that such information contained or incorporated by reference in the Base Prospectus and in this Base Prospectus Supplement is true and accurate in all material respects and is not misleading, that any opinions and intentions expressed in the Base Prospectus and in this Base Prospectus Supplement are honestly held and that there are no other facts the omission of which makes the Base Prospectus and this Base Prospectus Supplement 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.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED OR ANY STATE SECURITIES LAWS AND INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN REGULATION S), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED. SEE “SUBSCRIPTION AND SALE” IN PART A OF THE BASE PROSPECTUS.

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 Dealers named under “Subscription and Sale” in the Base Prospectus 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.

In accordance with Article 13, Paragraph 2 of the Luxembourg Law, investors who have already agreed to purchase or subscribe for the Notes before this Base Prospectus Supplement is published have the right, exercisable within a time limit of a minimum of two working days after the publication of this Base Prospectus Supplement, to withdraw their acceptances.

The following sections update the information set forth in Parts A and B of the Base Prospectus and the information incorporated by reference therein. Headings referred to in the following sections refer to corresponding sections in Parts A and B or, if such Parts contain no such heading, to new information concerning the Program and the Issuers. Capitalized terms not otherwise defined herein shall have the meanings set forth in the corresponding sections of the Base Prospectus.

Responsibility Statement

The Issuers accept responsibility for the information contained in this Base Prospectus Supplement. To the best of our knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus Supplement is in accordance with the facts and contains no omission likely to affect the import of such information.

Incorporation by Reference

On January 28, 2010 we published our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2008, which are incorporated by reference in and form part of this Base Prospectus Supplement. Copies of this Base Prospectus Supplement and our audited consolidated financial statements as of and for the years ended December 31, 2009 can be obtained: (i) in the City of Luxembourg, at the office of the Listing Agent for the Notes on the Luxembourg Stock Exchange; (ii) at the office of any Paying Agent; and (iii) on the website of the Luxembourg Stock Exchange at www.bourse.lu.

The following information appears in our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2008, which are incorporated by reference in this Base Prospectus Supplement:

Reference

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Information set forth in our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2008 that is not specifically referred to in the cross-reference table above is included for informational purposes only.

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SUMMARY OF THE PROGRAM

The following section replaces “Summary of the Program” beginning on page A-1 of the Base Prospectus.

The following summary should be read as an introduction to the Base Prospectus, is qualified in its entirety by, and is subject to, the detailed information and financial statements, including the notes thereto, incorporated by reference into this Base Prospectus and, in relation to the terms and conditions of any series of Notes, the applicable Final Terms. Unless the context implies otherwise, all data in this Base Prospectus are presented on a consolidated basis. Any decision by an investor to invest in the Notes should be based on consideration of this Base Prospectus as a whole. Where a claim relating to the information contained in this Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating this Base Prospectus before the legal proceedings are initiated. Civil liability attaches to the Issuer who has tabled this summary, including any translation thereof, and has applied or will apply for its notification, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus.

Issuers:

Banco Bradesco S.A. is one of the largest private-sector banks in Brazil in terms of total assets, providing a wide range of banking and financial products and services to individuals, small to mid-sized companies in Brazil and abroad and major local and international corporations and institutions. As of December 31, 2009, Banco Bradesco S.A. had, on a consolidated basis, R\$506.2 billion in total assets, R\$191.0 billion in credit operations, R\$171.1 billion in total deposits and R\$41.8 billion in shareholders' equity. Banco Bradesco S.A.'s registered office is Cidade de Deus, Vila Yara, 06029—900, Osasco, São Paulo, Brazil (telephone +55 11 3235 9566).

Our Grand Cayman branch was established principally for the purpose of obtaining short-term funding to finance Brazilian trade-related transactions. This branch is currently engaged in the business of sourcing funds from banks and the international banking and capital markets. The majority of these funds are on-lent to Banco Bradesco's principal office in Brazil and extended to customers. The branch also takes deposits in foreign currencies from corporate and individual customers who are not resident in the Cayman Islands and extends credit to Brazilian and non-Brazilian customers. The registered office of this branch is DMS House (3rd floor), 20 Genesis Close, P.O. Box 1818 GT, Grand Cayman, Cayman Islands (telephone +1 345 945 1200).

Our New York branch was established principally for the purpose of obtaining short-term funding from correspondent banks used to finance Brazilian trade-related transactions. The strategy of this branch, which operates as a federal branch in New York pursuant to U.S. federal legislation, is dedicated to the further development of relationships with multinational corporations, especially those headquartered in the United States, with an emphasis in particular on corporations with interests in Brazil. This branch also provides letters of credit, loans, inward and outward collections, inward and outward payment orders, money transfers, checking accounts and money market activities, as well as trade financing. The registered office of this branch is 450 Park Avenue (32nd/33rd floors), New York, New York 10022, U.S.A. (telephone +1 212 688 9855).

Global Arranger:

BNP Paribas

Dealers:

Banco Bradesco S.A., Grand Cayman branch; Banco Espírito Santo de Investimento, S.A.; Banco Finantia, S.A.; Barclays Bank PLC; BNP Paribas; Citigroup Global Markets Limited; Deutsche Bank AG, London Branch; ING Bank N.V., Curaçao branch; Merrill Lynch International;

	Standard Bank Plc; and any other dealer appointed from time to time by the Issuers.
Program Amount:	US\$2,500,000,000 (or its equivalent as of the respective dates of issue in other currencies) in aggregate principal amount of Notes outstanding at any time, subject to any duly authorized increase.
Offering:	Notes will be offered (i) in the United States only to QIBs pursuant to Rule 144A and (ii) outside the United States to non-U.S. persons in reliance on Regulation S. See “Subscription and Sale”.
Issue Price:	Notes may be issued at par or at a discount or premium to par. The issue price for each issue of Notes shall be as set forth in the applicable Final Terms.
Specified Currencies:	Notes may be denominated in any currency as may be agreed between us and the applicable Dealer or Dealers in the relevant Final Terms, subject to applicable regulation.
Maturities:	The Notes may be issued with maturities of one month or more from their date of issue, subject to all legal and regulatory requirements applicable to us or the applicable Specified Currency.
	Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer.
	Under the Luxembourg law on prospectuses for securities which implements Directive 2003/71/EC (together with any applicable implementing measures in any Member State of the European Economic Area), prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provision of Part II of such law.
Interest:	Notes may (i) bear interest on a fixed rate or floating rate basis (determined by reference to one or more base rates), (ii) be issued on a fully discounted basis and not bear interest or (iii) be indexed, in each case as specified and described more fully in the applicable Final Terms.
Final Terms:	The Final Terms for each issue of Notes shall set forth, among other things, certain information about the terms and conditions of such Notes and the offering and sale thereof. Such information may differ from that set forth herein and, in all cases, shall supplement and, to the extent inconsistent herewith, supersede the information herein.

Withholding Tax:

If specified in the applicable Final Terms, payments in respect of the Notes will be made without withholding or deduction in respect of any taxes, duties, assessments or governmental charges imposed in Brazil, the Cayman Islands (with respect to Notes issued by our Grand Cayman branch) and the United States of America or the State of New York (with respect to Notes issued by our New York branch), or any political subdivision or taxing authority thereof or therein. If specified in the applicable Final Terms, the relevant Issuer will, subject to certain exceptions and limitations, pay additional amounts (as described herein) in respect of such withholding or deduction so that the holder of the Notes (the “**Noteholder**”) receives the net amount due, although the relevant Issuer may have the option to redeem the Notes in such an event if so specified in the applicable Final Terms. See “Terms and Conditions of the Notes — Condition 12”.

Form of Notes:

Notes may be issued in registered form, without interest coupons (“**Registered Notes**”), or in bearer form, with or without interest coupons (“**Bearer Notes**”).

In the case of Registered Notes, the relevant Issuer will deliver (i) an Unrestricted Global Note Certificate (as defined below) and a Restricted Global Note Certificate (as defined below) or (ii) an International Global Note Certificate (as defined below), as specified in the relevant Final Terms.

Notes initially sold to QIBs in reliance on Rule 144A will, unless otherwise specified in the applicable Final Terms, be available only in book-entry form, and will be represented by a restricted global note certificate (a “**Restricted Global Note Certificate**”) deposited with or on behalf of DTC and registered in the name of its nominee.

Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S will, unless otherwise specified in the applicable Final Terms, be available only in book-entry form and will be represented by an unrestricted global note certificate (an “**Unrestricted Global Note Certificate**”) deposited on or about the issue date as specified in the applicable Final Terms (i) with or on behalf of DTC for the accounts of its direct or indirect participants, including Euroclear and Clearstream, Luxembourg or (ii) with a Common Depository for Euroclear or Clearstream, Luxembourg.

Beneficial interests in the Restricted Global Note Certificates and Unrestricted Global Note Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct or indirect participants (including Euroclear and Clearstream, Luxembourg). Except as described herein, Individual Note Certificates (as defined herein) will not be issued in exchange for beneficial interests in Registered Global Note Certificates. See “Book-Entry; Delivery and Form”.

Registered Notes sold outside the United States in reliance on Regulation S, which are not part of a Series which is also offered in the United States, may be represented, in whole or in part, by an international global note certificate (an “**International Global Note Certificate**”) that is deposited with or on behalf of the Common Depository for Euroclear and Clearstream, Luxembourg, or a nominee thereof, outside the United States for credit to the respective accounts of beneficial owners of the Notes represented thereby.

Bearer notes will, unless otherwise specified, only be sold outside the United States to non-U.S. persons in reliance on Regulation S and will, unless otherwise specified in the applicable Final Terms, initially be represented by a Temporary Global Note without interest coupons attached, deposited with or on behalf of a Common Depository located outside the United States for Euroclear and Clearstream, Luxembourg. Interests in a Temporary Global Note will be exchangeable (i) for interests in a permanent Global Note in bearer form, without coupons (a “**Permanent Global Note**”), (ii) in whole but not in part for definitive Notes in bearer form (each, a “**Definitive Bearer Note**”) or (iii) directly for interests in a Registered Global Note Certificate, following certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. Bearer Notes may be exchangeable for Registered Global Note Certificates. Registered Notes will not be exchangeable for Bearer Notes. See “Terms and Conditions of the Notes — Condition 2” and “Book-Entry; Delivery and Form”.

Specified Denominations:

So long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradable only in the minimum authorized denomination of EUR50,000 and higher integral multiples of EUR1,000, notwithstanding that no definitive notes will be issued with a denomination above EUR99,000.

Use of Proceeds:

The net proceeds from the sale of each Series of Notes issued under the Program will be used by us for general corporate purposes or as set forth in the Final Terms applicable to each Series.

Redemption:

The Final Terms relating to each Series of Notes will specify if such Notes can be redeemed prior to their stated maturity (whether for taxation reasons, following an Event of Default (as defined herein) or otherwise) or if such Notes will be redeemable at par or at such other redemption amount as specified. See “Terms and Conditions of the Notes — Condition 10”.

Tax Redemption:

If specified in the applicable Final Terms, the Notes will be redeemable at the Issuer’s option, in whole (but not in part), at par, plus accrued interest, in the event the Issuer is obligated to pay any additional amounts in respect of, among other things, Brazilian (in the case of our principal office in Brazil), Cayman Islands (in the case of our Grand Cayman branch) or the United States of America or the State of New York (in the case of our New York branch) withholding or other taxes as a result of a change in tax laws or regulations in Brazil, the Cayman Islands, the United States of America or the State of New York, as the case may be, or in the interpretation thereof. See “Terms and Conditions of the Notes — Condition 10”.

Ranking:

The Notes will be unsecured and unsubordinated obligations and will rank *pari passu* in priority of payment with all our other present and future unsecured and unsubordinated external debt.

Negative Pledge:

Subject to certain exceptions described herein and so long as any Note remains outstanding, the Issuer will not create, or allow to be created, any security interest upon any of its present or future properties to secure indebtedness for borrowed money, unless the Notes are also secured equally and ratably therewith. See “Terms and Conditions of the Notes — Condition 5”.

Listing and Trading:	Application has been made for Notes to be issued under the Program to be admitted for listing on the official list of the Luxembourg Stock Exchange and to be admitted to trade on the regulated market of the Luxembourg Stock Exchange. However, Notes may be issued under the Program which will not be listed on the official list of the Luxembourg Stock Exchange or any other stock exchange, and the Final Terms applicable to a Series will specify whether or not Notes of such Series will be listed on the official list of the Luxembourg Stock Exchange or any other stock exchange. This Base Prospectus may be used in connection with listings on the official list of the Luxembourg Stock Exchange for a period of one year from the date hereof. See “General Information”.
Terms and Conditions:	The terms and conditions applicable to each series of Notes will be as agreed between the relevant Issuer and the relevant Dealers or purchasers at or prior to the date of issue of such Series and will be specified in the Final Terms prepared in respect of such Series of Notes. The terms and conditions applicable to each Series will accordingly be those set out in this Base Prospectus as supplemented, modified or replaced by the relevant Final Terms.
Enforcement of Notes Represented by the Global Notes:	In the case of Notes represented by the Global Notes, individual investors’ rights will be governed by a trust deed (the “ Trust Deed ”) entered into by each of us and The Bank of New York Mellon, as trustee, a copy of which is available for inspection at the specified offices of the trustee, the registrar, our registered office and the Listing Agent.
Trustee:	The Bank of New York Mellon.
Principal Paying Agent:	Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch or The Bank of New York Mellon, London Branch, as specified in the relevant Final Terms in relation to each Series of Notes.
Paying Agents:	The Bank of New York Mellon and Dexia Banque Internationale à Luxembourg.
Transfer Agents:	The Bank of New York Mellon, Bank of Tokyo-Mitsubishi UFJ, Ltd., London Branch and Dexia Banque Internationale à Luxembourg.
Registrar and Issue Agent:	The Bank of New York Mellon.
Listing Agent:	Dexia Banque Internationale à Luxembourg.
Selling Restrictions:	The offer and sale of Notes will be subject to selling restrictions including, in particular, those of the United States of America, the United Kingdom, Germany, Japan, Brazil, and the Cayman Islands. Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements in effect at the time of such issuance. See “Subscription and Sale”. Any further restrictions that may apply to a particular issue of Notes will be specified in the applicable Final Terms.
Further Issuances:	Each Issuer reserves the right, with respect to any Series of Notes, from time to time without the consent of the holders of the Notes, to issue additional

Notes of a Series so that the same shall be consolidated with, form a single issue with, and increase the aggregate principal amount of, such Series of Notes.

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law.

Clearance and Settlement:

Notes shall be accepted for clearing through one or more clearing systems as specified in the applicable Final Terms. These systems shall include, in the United States, the system operated by DTC and, outside the United States, the systems operated by Euroclear and Clearstream, Luxembourg.

Notes that are intended to be sold in both the United States and the Euro markets will clear through DTC. Notes that are intended to be sold primarily outside the United States will clear through Euroclear, Clearstream, Luxembourg and/or any other clearing system specified in the applicable Final Terms.

Risk Factors:

The following is a summary of some of the risks associated with an investment in the Notes. For a comprehensive discussion of such risks see “Risk Factors” below:

- we may experience increases in our level of past due loans as our credit portfolio becomes more seasoned;
- adverse conditions in the credit and capital markets may adversely affect our ability to access funding in a cost effective and/or timely manner;
- the increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects;
- losses on our investments in securities may have a significant impact on our results of operations and are not predictable;
- we may incur losses associated with counterparty exposures;
- our trading activities and derivatives transactions may produce material losses;
- the Brazilian government regulates the operations of Brazilian financial institutions and insurance companies, and changes in existing laws and regulations or the imposition of new laws and regulations may negatively affect our operations and revenues;
- a majority of our common shares is held by one shareholder, whose interests may conflict with our other investors’ interests;
- changes in regulations regarding reserve and compulsory deposit requirements and taxes may reduce operating margins;
- changes in taxes and other fiscal assessments may adversely affect us;

- the Brazilian constitution used to establish a ceiling on loan interest rates, including bank loan interest rates, and the impact of the subsequent legislation regulating the subject is uncertain;
- there are significant differences between accounting practices adopted in Brazil (“**Accounting Practices Adopted in Brazil**”) and United States generally accepted accounting principles (“**U.S. GAAP**”);
- our losses in connection with insurance claims may vary from time to time and differences between the losses from actual claims and underwriting and reserving assumptions may have an adverse effect on us;
- if our actual losses exceed our provisions on risks that we underwrite, we could be adversely affected;
- we are jointly liable for claims of our clients if our reinsurers fail to meet their obligations under the reinsurance contracts;
- our strategy of marketing and expanding Internet banking in Brazil could be badly received or more expensive than lucrative;
- our business and results of operations are materially affected by conditions in the global financial markets;
- macroeconomic conditions globally and in Brazil have weakened and our business and results of operations are likely to be adversely affected while these conditions persist;
- the Brazilian government exercises influence over the Brazilian economy, and Brazilian political and economic conditions have a direct impact on our business;
- currency exchange variations may have an adverse effect on the Brazilian economy and on our results and financial condition;
- if Brazil experiences substantial inflation in the future, our revenues and our ability to access foreign financial markets may be reduced;
- changes in base interest rates by the *Comitê de Política Monetária* (the Brazilian Committee for Monetary Policy, the “**COPOM**”) may materially adversely affect our margins and results of operations;
- developments and the perception of risk in Brazil and other countries, especially emerging market countries, may adversely affect the market price of Brazilian securities, including our Notes;
- our obligations under the Notes will be subordinated to certain statutory liabilities;
- we may need to obtain exchange control approval from *Banco Central do Brasil* (the Central Bank of Brazil) (the “**Central Bank**”);

- an active trading market for the Notes may not develop; and
- Noteholders holding Notes in amounts in excess of EUR50,000 (or its equivalent) that are not integral multiples of EUR50,000 (or its equivalent) must purchase additional principal amounts of the Notes in order to receive a definitive Note in respect of such holding.

RISK FACTORS

The following section replaces “Risk Factors” beginning on page A-8 of the Base Prospectus.

Investing in the Notes involves risks. Before making an investment decision, you should carefully consider all the information in this Base Prospectus. Our business, financial condition and results of operations may be materially adversely affected by any of these risks. The trading price of the Notes may decrease as a result of any of these risks, and the occurrence of any of these risks could affect our ability to pay interest or repay principal on the Notes. The risks described below are those that we currently believe may materially affect us. The occurrence of one or more of the circumstances described below could lead to a material and long-term decline in the price of the Notes or, in extreme cases, to a loss of the value of the Noteholders’ entire investment or part of it, as the case may be.

Risks Relating to Banco Bradesco and the Brazilian Banking Industry

We may experience increases in our level of past due loans as our credit portfolio becomes more seasoned.

Our loan portfolio has grown substantially since 2004, primarily as a result of the expansion of the Brazilian economy. Any corresponding rise in our level of non-performing loans may lag behind the rate of loan growth, as loans typically do not become due within a short period of time after their origination. Levels of past due loans are higher among our individual clients than our corporate clients. From 2004 to 2009, our loan portfolio increased by 204.2% but our level of non-performing loans increased by 359.6%, driven by increases in the number of individual clients.

Beginning in mid-2008, weakening economic conditions in Brazil led to increases in our level of past due loans, particularly impacting our individual clients as unemployment rates in Brazil began to rise. This trend of increasing levels of past due loans worsened in the year ended 2009. As of December 31, 2009, our provision for loan losses increased by 58.9% compared to December 31, 2008, while our loan portfolio grew by 6.1% over that same period. As economic conditions in Brazil have not yet fully recovered, we believe that levels of past due loans will not materially improve in the short-term and we may be required to increase our allowance for loan losses in the future if conditions deteriorate further.

Rapid loan growth may also reduce our ratio of past due loans to total loans until growth slows or the portfolio becomes more seasoned. Adverse economic conditions and a slower growth rate for our loan portfolio may result in increases in our loan loss provisions, charge-offs and our ratio of past due loans to total loans, which may have an adverse effect on 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.

The recent volatility, disruption and uncertainty in the credit and capital markets have generally 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.

The increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects.

The markets for financial, banking and insurance services in Brazil are highly competitive. We face significant competition in all of our principal areas of operation from other large Brazilian and international banks and insurance companies, public and private. In the last two years, consolidation of the Brazilian banking market has also increased. In November 2008, Banco Itaú S.A. (“**Banco Itaú**”) and Unibanco—União de Bancos Brasileiros S.A. (“**Unibanco**”) merged their businesses into Banco Itaú Unibanco (“**Itaú Unibanco**”), creating a significant presence in our marketplace. In addition Banco do Brasil S.A. (“**Banco do Brasil**”) also announced a merger with Banco Nossa Caixa S.A. in November 2008 and a strategic partnership with Banco Votorantim S.A. (“**Banco**

Votorantim”) in January 2009. More recently, Itaú Unibanco announced an agreement to enter into a partnership with Porto Seguro Cia. de Seguros Gerais (“**Porto Seguro**”) in the automobile and housing insurance sector, creating the market leader in the automobile insurance business.

Additionally, Brazilian regulations raise limited barriers to market entry and do not differentiate between local or foreign commercial and investment banks and insurance companies. As a result, the presence of foreign banks and insurance companies in Brazil, some of which have greater resources than us, has grown and competition both in the banking and insurance sectors generally and in markets for specific products has increased. The privatization of publicly owned banks has also made the Brazilian markets for banking and other financial services more competitive.

The increased competition may negatively affect our business results and prospects by, among other things:

- limiting our ability to increase our customer base and expand our operations;
- reducing our profit margins on the banking, insurance, leasing and other services and products offered by us; and
- increasing competition for foreign investment opportunities.

Losses on our investments in securities may have a significant impact on our results of operations and are not predictable.

The value of certain of our investments in securities may decline significantly due to dislocated financial markets and may fluctuate over short periods of time. As of December 31, 2009, investments in securities represented 29.0% of our assets, and realized investment gains and losses have had and will continue to have a significant impact on our results of operations. The amounts of such gains and losses, which we record when investments in securities are sold, or in certain limited circumstances where they are marked to market or recognized at fair value, may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of the securities, which in turn may vary considerably, and our investment policies. We cannot predict the amount of realized gain or loss for any future period, and our management believes that variations from period to period have no practical analytical value. Furthermore, any gains on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realize the appreciation now existing in our consolidated investment portfolio or any portion thereof.

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.

The Brazilian government regulates the operations of Brazilian financial institutions and insurance companies, and changes in existing laws and regulations or the imposition of new laws and regulations may negatively affect our operations and revenues.

Brazilian banks and insurance companies, including our banking and insurance operations, are subject to extensive and continuous regulatory review by the Brazilian government. We have no control over government regulations, which govern all facets of our operations, including the imposition of:

- minimum capital requirements;
- compulsory deposit/reserve requirements;
- investment requirements in fixed assets;
- lending limits and other credit restrictions;
- accounting and statistical requirements;
- solvency margins;
- minimum coverage; and
- mandatory policy provisions.

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

In particular, the Brazilian government has historically enacted regulations affecting financial institutions in an effort to implement its economic policies. These regulations are intended to control the availability of credit and reduce or increase consumption in Brazil. These changes may adversely affect us because our returns on compulsory deposits are lower than those we obtain on our other investments.

Parts of our business that are not currently subject to government regulation may become regulated in the future. For example, there are several legislative proposals currently under discussion in the Brazilian congress to regulate the credit card industry. Some of these proposals aim at increasing competition in the industry and limiting the fees charged by credit card companies. New regulations affecting the credit card industry may have a material adverse effect on the revenues from our credit card business. Such new regulations and other regulatory changes affecting other businesses in which we are engaged, including our broker dealer and leasing operations, could have an adverse effect on our operations and our revenues and impact our ability to satisfy our payment obligations under the Notes.

A majority of our common shares is held by one shareholder, whose interests may conflict with our other investors' interests.

As of December 31, 2009 Fundação Bradesco directly and indirectly held 51.25% of our common shares. As a result, this shareholder has the power, among other things, to prevent a change in control of our company, even if a transaction of that nature would be beneficial to our other shareholders, as well as to approve related party transactions or corporate reorganizations. Under the terms of Fundação Bradesco's by-laws, all of our directors, members of our *Diretoria Executiva* ("**Board of Executive Officers**") and departmental officers that have been working at Grupo Bradesco for more than ten years serve as members of the board of trustees of Fundação

Bradesco. The board of trustees has no other members. For more information on our shareholders, see “Principal Shareholders”.

Changes in regulations regarding reserve and compulsory deposit requirements and taxes may reduce operating margins.

The Central Bank has periodically changed the level of compulsory deposits that financial institutions in Brazil are required to maintain with the Central Bank. For example, as from September 2008, the Central Bank revoked and changed a number of compulsory deposit requirements in an attempt to reduce the impact of the global financial crisis. The Central Bank may increase its reserve and compulsory deposit requirements in the future or impose new reserve and compulsory deposit requirements.

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

- a portion of our compulsory deposits do not bear interest;
- a portion of our compulsory deposits must be held in Brazilian government securities; and
- a portion of our compulsory deposits must finance a federal housing program, the Brazilian rural sector, low income customers and small enterprises under a program referred to as a “microcredit program”.

Our compulsory deposits in connection with demand, savings and time deposits were R\$18.4 billion as of December 31, 2009. Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, and we have no control over their imposition. See “Brazilian Financial Services Industry and Regulations — Regulations Affecting Financial Market Liquidity — Compulsory Deposit Requirements” for further information. Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect us.

Changes in taxes and other fiscal assessments may adversely affect us.

The Brazilian Government regularly enacts reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing credit portfolio.

The Brazilian constitution used to establish a ceiling on loan interest rates, including bank loan interest rates, and the impact of the subsequent legislation regulating the subject is uncertain.

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, as the regulation regarding the ceiling was pending. The understanding that this ceiling is not yet in force has 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 (“**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 the New Civil Code (or Law No. 10,406 of January 10, 2002), 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* (the “**National Treasury Office**”). Currently, this base rate is the SELIC, which is currently 8.75% *per annum*. However, there is presently some uncertainty as to whether the SELIC 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.

Additionally, certain Brazilian courts have issued decisions in the past limiting interest rates on consumer financing transactions that are considered abusive or excessively onerous in comparison with market practice. Brazilian courts’ future decisions as well as changes in legislation and regulations restricting interest rates charged by financial institutions could have an adverse effect on our business.

There are significant differences between Accounting Practices Adopted in Brazil and U.S. GAAP.

There are significant differences between Accounting Practices Adopted in Brazil and U.S. GAAP. The consolidated financial statements contained in this Base Prospectus differ from those prepared based upon U.S. GAAP that are filed by us with the Securities and Exchange Commission (the “**SEC**”). We have made no attempt to identify or quantify the impact of those differences and cannot provide any assurance as to whether such differences would be material. No reconciliation to U.S. GAAP of the financial statements prepared in accordance with Accounting Practices Adopted in Brazil, included herein, has been prepared for the purposes of this Base Prospectus or for any other purposes. There can be no assurance that a reconciliation would not identify material quantitative differences between our financial statements prepared in accordance with Accounting Practices Adopted in Brazil and such financial statements as prepared on the basis of U.S. GAAP. In making an investment decision, investors must rely upon their own examination of the issuer, the terms of the Notes and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Accounting Practices Adopted in Brazil and U.S. GAAP, and how those differences might affect the financial information herein.

We have previously published and filed with the SEC our audited consolidated financial statements prepared in accordance with U.S. GAAP as of and for the years ended December 31, 2008 and 2007, which are also available on our website. We do not prepare our audited consolidated interim financial statements in accordance with U.S. GAAP or publish and file such financial statements with the SEC. Our financial statements prepared in accordance with Accounting Practices Adopted in Brazil and U.S. GAAP financial statements are not directly comparable. Certain line items of our audited consolidated financial statements prepared in accordance with U.S. GAAP show trends that are different from those indicated by our audited consolidated financial statements prepared in accordance with Accounting Practices Adopted in Brazil discussed in this Base Prospectus.

There are significant differences between accounting policies adopted in our financial statements as of and for the years ended December 31, 2009 and 2008 and in our financial statements as of and for the years ended December 31, 2008 and 2007.

We made several changes of presentation in certain line items on our financial statements as of and for the year ended December 31, 2009 in order to enhance our financial disclosure and facilitate comparability with other financial institutions. To allow comparability of our financial statements, we reclassified our financial statements as of and for the year ended December 31, 2008 to provide for the same changes of presentation introduced in 2009.

We were not required to, and did not, reclassify our financial statements as of and for the years ended December 31, 2008 and 2007. Accordingly, these financial statements are not directly comparable to the financial statements as of and for the years ended December 31, 2009 and 2008. Had the financial information relating to 2007 in the financial statements as of and for the years ended December 2008 and 2007 also been presented on a basis consistent with 2009, similar reclassifications to those made to the 2008 numbers in the financial statements as of and for the years ended December 31, 2009 and 2008 would have been made, although the amounts involved would have been different.

Our losses in connection with insurance claims may vary from time to time and differences between the losses from actual claims and underwriting and reserving assumptions may have an adverse effect on us.

Our results of operations significantly depend upon the extent to which our actual claims are consistent with the assumptions we used to assess our potential future policy and claim liabilities and to price our insurance products. We seek to limit our responsibility and price our insurance products based on the expected payout of benefits, calculated using several factors, such as: assumptions for investment returns, mortality and morbidity, expenses, persistency, and certain macroeconomic factors, such as inflation and interest rates. These assumptions may deviate from our prior experience, including due to factors beyond our control such as natural disasters (floods, explosions and fires) and man-made disasters (riots, gang or terrorist attacks) or changes in mortality and morbidity rates as a result of advances in medical technology and longevity, among others. Therefore, we cannot determine precisely the amounts that we will ultimately pay to settle these liabilities, when these payments will need to be made, or whether the assets supporting our policy liabilities, together with future premiums, will be sufficient for payment of these liabilities. These amounts may vary from the estimated amounts, particularly when those payments do not occur until well in the future, which is the case with certain of our life insurance products. To the extent that actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, we may be required to increase our provisions, which may have an adverse effect on our cash flow.

If our actual losses exceed our provisions on risks that we underwrite, we could be adversely affected.

Our results of operations and financial condition depend upon our ability to accurately assess the actual losses associated with the risks that we underwrite. Our current provisions are based on estimates that rely on then-available information and that involve a number of features including recent loss experience, current economic conditions, internal risk rating, actuarial and statistical projections of our expectations of the cost of the ultimate settlement of claims, such as estimates of future trends in claims severity and frequency, judicial theories of liability, the levels of and/or timing of receipt or payment of premiums and rates of retirement, mortality, morbidity and persistency, among others. Accordingly, the establishment of provisions is inherently uncertain and our actual losses usually deviate, sometimes substantially, from such estimates. Deviations occur for a variety of reasons. Reasons for such deviation include that, since we record our loan loss provisions based on estimates of incurred losses, the allowance for loan losses might not be sufficient to cover losses; we might have an increased number of claims; or our costs could be higher than the costs we estimated. If actual losses materially exceed our provisions, we could be adversely affected.

We are jointly liable for claims of our clients if our reinsurers fail to meet their obligations under the reinsurance contracts.

The purchase of reinsurance does not hold us harmless against our liability towards our clients if the reinsurer fails to meet its obligations under the reinsurance contracts. As a result, reinsurers' insolvency or failure to make timely payments under these contracts could have an adverse effect on us, given that we remain responsible before our insured.

Our strategy of marketing and expanding Internet banking in Brazil could be badly received or more expensive than lucrative.

We have aggressively pursued the use of the Internet for banking and other services to our clients and expect to continue to do so. However, the market for our Internet products is rapidly evolving and is becoming increasingly competitive. We cannot predict whether, or how fast, this market will grow. Moreover, if we fail to adapt effectively to growth and change in the Internet market and technology, our business, competitiveness, or results of operations could be adversely affected.

The Internet may prove not to be a viable Brazilian commercial marketplace for a number of reasons, including a lack of acceptable security technologies, potentially inadequate development of the necessary infrastructure, the lack

of necessary development and commercialization of performance improvements, or a perceived unreliability of our systems by our clients.

Macroeconomic Risks

Our business and results of operations are materially affected by conditions in the global financial markets.

There has been extreme volatility and disruption in global capital and credit markets in recent months, with the volatility reaching unprecedented levels in the second half of 2008. The disruptions recently experienced in the global capital and credit markets have led to reduced liquidity and increased credit risk premiums for many market participants and have resulted in a reduction in the availability and/or increased costs of financing, both for financial institutions and their customers. Increasing or high interest rates and/or widening credit spreads have created a less favorable environment for most of our businesses and may impair the ability of some of our clients to repay debt that they owe to us, and reduce our flexibility in planning for, or reacting to, changes in its operations and the financial industry overall. Accordingly, and even though the Brazilian and global economics started to recover in the first half of 2009, our results of operations are likely to continue to be affected by conditions in the global financial markets as long as they remain volatile and subject to disruption and uncertainty.

Macroeconomic conditions globally and in Brazil have weakened and our business and results of operations are likely to be adversely affected while these conditions persist.

The recent market volatility and disruption described above have been accompanied by worsening economic data in the world's major economies. The substantial majority of our profit is generated by our operations in Brazil and, in keeping with the global trend, there have been certain weakening trends in the Brazilian economy in the year ended 2009. Recent volatility in commodity prices has also impacted certain key industries in Brazil. According to a survey among financial institutions carried out by the Central Bank in December 2009, the rate of growth in Brazilian GDP is forecast to decline in the year ended 2009 in comparison with the year ended 2008. Our allowance for loan losses increased significantly as of December 31, 2009 in comparison with the same period in 2008 as a result of these weakening economic conditions. Weakening economic conditions in Brazil may impair the ability of some of our clients to repay debt that they owe to 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, for so long as these conditions persist, our results of operations are likely to be adversely affected.

The Brazilian government exercises influence over the Brazilian economy, and Brazilian political and economic conditions have a direct impact on our business.

Our financial condition and results of operations are substantially dependent on Brazil's economy, which in the past has been characterized by frequent and occasionally drastic intervention by the Brazilian government and volatile economic cycles.

In the past, the Brazilian government has often changed monetary, fiscal, taxation and other policies to influence the course of Brazil's economy. We have no control over, and cannot predict, what measures or policies the Brazilian government may take in response to the current or future Brazilian economic situation or how Brazilian government intervention and government policies will affect the Brazilian economy and, both directly and indirectly, our operations and revenues.

Our operations, financial condition, our ability to satisfy our payment obligations under the Notes and the market price of our securities may be adversely affected by changes in policy involving exchange controls, tax and other matters, as well as factors such as:

- fluctuations in exchange rates;
- base interest rate fluctuations;
- domestic economic growth;

- political, social or economic instability;
- monetary policies;
- tax policy and changes in tax regimes;
- exchange controls policies;
- liquidity of domestic financial, capital and credit markets;
- our customers' ability to meet their other obligations with us;
- decreases in wage and income levels;
- increases in unemployment rates;
- inflation; and
- other political, diplomatic, social and economic developments within and outside of Brazil that affect the country.

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

Currency exchange variations may have an adverse effect on the Brazilian economy and on our results and financial condition.

Our business is impacted by fluctuations in the value of the *real*. Since June 2004, the *real* had gradually increased in value against the U.S. dollar (reaching R\$1.5593 per U.S. dollar as of August 1, 2008). In 2008, the value of the *real* declined sharply against the U.S. dollar (reaching R\$2.337 per U.S. dollar as of December 31, 2008). During 2009, the *real* has again gradually increased in value against the U.S. dollar (reaching R\$1.7412 per U.S. dollar as of December 31, 2009). There has been consistent volatility in the *real*/U.S. dollar exchange rate in recent years.

As of December 31, 2009, the net balance of our assets and liabilities denominated in, or indexed to, foreign currencies (primarily U.S. dollars) was 1.5% of our total assets. When the Brazilian currency is devalued or if it 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 foreign currency loans, and experience gains on our monetary assets denominated in or indexed to foreign currencies, as the liabilities and assets are translated into *reais*. Therefore, if our liabilities denominated in, or indexed to, foreign currencies significantly exceed our monetary assets denominated in, or indexed to, foreign currencies, including any financial instruments entered into for hedging purposes, a large devaluation or depreciation of the Brazilian currency could materially and adversely affect our financial results even if the value of the liabilities has not changed in their original currency, which could adversely affect our ability to meet our payment obligations under the Notes. In addition, our lending operations depend significantly on our capacity to match the cost of funds indexed to the U.S. dollar with the rates charged to our customers. A significant devaluation or depreciation may affect our ability to attract customers on such terms or to charge rates indexed to the U.S. dollar.

Conversely, when the Brazilian currency appreciates, we incur losses on our monetary assets denominated in, or indexed to, foreign currencies, such as the U.S. dollar, and experience decreases in our liabilities denominated in, or indexed to, foreign currencies, as the liabilities and assets are translated into *reais*. Therefore, if our monetary assets denominated in, or indexed to, foreign currencies significantly exceed our liabilities denominated in, or indexed to,

foreign currencies, including any financial instruments entered into for hedging purposes, a large appreciation of the Brazilian currency could materially and adversely affect our financial results even if the value of the monetary assets has not changed in their original currency, which could adversely affect our ability to meet our payment obligations under the Notes.

If Brazil experiences substantial inflation in the future, our revenues and our ability to access foreign financial markets may be reduced.

Brazil has, in the past, experienced extremely high rates of inflation. Brazil's rates of inflation, as measured by the *Índice Geral de Preços Disponibilidade Interna* (the General Price Index – Domestic Availability) (“**IGP-DI**”), reached 7.89%, 9.10% and -1.43% as of December 31, 2007, 2008 and 2009, respectively. Inflation and governmental measures to combat inflation have in the past had significant negative effects on the Brazilian economy. Inflation, along with government measure to combat inflation and public speculation about possible future government measures, has had significant negative effects on the Brazilian economy and contributed to increase economic uncertainty in Brazil and heighten volatility in the Brazilian securities markets, which may have an adverse effect on us.

These measures have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. As a result, interest rates have fluctuated significantly. Increases in the *Sistema Especial de Liquidação e Custódia* rate (Special Clearing and Settlement System rate), which we call the “**SELIC**” rate, the base interest rate established by COPOM, may have an adverse effect on us by reducing demand for our credit, and increasing our cost of funds, domestic debt expense and the risk of customer default. Decreases in the SELIC rate may also have an adverse effect on us by decreasing the interest income we earn on our interest-earning assets and lowering our revenues and margins.

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

Changes in base interest rates by the COPOM may materially adversely affect our margins and results of operations.

The COPOM establishes the base interest rates for the Brazilian banking system. The base interest rate was 11.25%, 13.75% and 8.75% per year as of December 31, 2007, 2008 and 2009, respectively. Changes in the base interest rate may adversely affect our results of operations because:

- high base interest rates increase our domestic debt expense and may increase the likelihood of customer defaults; and
- low base interest rates may diminish our interest income.

The COPOM adjusts the base interest rate in order to manage aspects of the Brazilian economy, including the protection of reserves and capital flows. We have no control over the base interest rates set by the COPOM or how often such rates are adjusted.

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

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian

issuers. Crises in other emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours, which could adversely affect the market price of our Notes.

The recent global financial crisis has had significant consequences worldwide, including in Brazil, such as capital markets volatility, unavailability of credit, higher interest rates, a general slowdown of the world economy, volatile exchange rates and inflationary pressure, among others, which have, and may continue to have, directly or indirectly, an adverse effect on our business, financial condition, results of operation, the market price of securities of Brazilian issuers, including ours, and our ability to finance our operations.

Risks Relating to the Notes

Our obligations under the Notes will be subordinated to certain statutory liabilities.

In the event of our liquidation, certain claims, such as claims for salaries, wages and social security from our employees, claims deriving from transactions secured by collateral (*i.e.*, mortgage, pledge), as well as taxes and court fees and expenses, will have preference over any other claim, including the Notes. See “Brazilian Financial Services Industry and Regulations — Intervention and Administrative Liquidation of Financial Institutions — Repayment of Creditors in a Liquidation” for a discussion of recent measures affecting the priority of repayment of creditors.

We may need to obtain exchange control approval from the Central Bank.

Issuances of Notes under the Program may be made by any of us. Notes issued by our principal office in Brazil require registration with the Central Bank. Notes issued by our Grand Cayman branch or our New York branch, as the case may be, will not require approval by nor registration with the Central Bank. In case payment under Notes issued by our Grand Cayman branch or our New York branch, as the case may be, is requested directly from our principal office in Brazil (whether by reason of a lack of liquidity of our Grand Cayman branch or our New York branch, as the case may be, acceleration, enforcement or judgment, imposition of any restriction under the laws of the Cayman Islands or New York or otherwise), and payment thereunder is to be made from Brazil, a specific Central Bank approval may be required. In the event that no approvals are obtained or obtainable for the payment by us of amounts owed by our Grand Cayman branch or our New York branch, as the case may be, through remittances from Brazil, we may have to seek other mechanisms to effect payment of amounts due under the Notes. However, there can be no assurance that other remittance mechanisms will be available in the future, and even if they are available in the future, there can be no assurance that the payment of the Notes would be possible through such mechanism. See “— Macroeconomic Risks” and “— Risks Relating to Banco Bradesco and the Brazilian Banking Industry”.

An active trading market for the Notes may not develop.

There is currently no market for the Notes. Application has been made for the Notes to be issued under the Program to be admitted for listing on the official list of the Luxembourg Stock Exchange and to be admitted to trade on the regulated market of the Luxembourg Stock Exchange. We cannot assure you that this application will be accepted. Even if the Notes are listed on this stock exchange, we may delist the Notes. A trading market for the Notes may not develop, or if a market for the Notes were to develop, the Notes may trade at a discount from their initial offering price, depending on many factors including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The dealers 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. 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.

Noteholders holding Notes in amounts in excess of EUR50,000 (or its equivalent) that are not integral multiples of EUR50,000 (or its equivalent) must purchase additional principal amounts of the Notes in order to receive a definitive Note in respect of such holding.

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of EUR50,000 (or its equivalent) that are not integral multiples of EUR50,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

TAXATION

The following section replaces “Brazilian Tax Considerations” under “Taxation” beginning on page A-19 of the Base Prospectus.

Brazilian Tax Considerations

*The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by an individual, entity, trust or organization considered to be a resident or a person domiciled outside of Brazil for tax purposes (a “**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. Prospective purchasers should consult their tax advisers as to the specific tax consequences of acquiring, holding and disposing of the Notes, in particular with regard to Notes having special features such as Notes denominated in a foreign currency as to the holder and Notes subject to currency constraint, sovereign event or credit event provisions.*

Tax consequences in Brazil are different if the Notes are issued by us acting through our principal office in Brazil or issued through our Grand Cayman branch or New York branch.

If payment of income is made to a Non-Resident Holder by the Issuer with respect to Notes issued either through Grand Cayman branch or New York branch, based on the fact that they are considered to be domiciled outside of Brazil for tax purposes, such payment will not generally be subject to withholding or deduction with respect to Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, *provided* that such payments are made with resources held by such entities outside of Brazil.

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income (“debt obligations”) payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Notes, is subject to income tax withheld at source. The rate of withholding tax is generally 15%, unless a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the beneficiary is domiciled.

According to Normative Ruling No. 252 of December 3, 2002 (“**Normative Ruling No. 252/02**”), in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction (such as a country that imposes an income tax rate of less than 20% or that does not disclose details of shareholdings in local legal entities), such payments of interest, fees, commissions (including any original issue discounts and any redemption premiums) and any other income are also subject to withholding with respect to Brazilian income tax at the general rate of 15%. However, pursuant to article 8 of Law No. 9,779 of January 19, 1999, if the relevant average term of the Notes is of less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25%, pursuant to article 691, IX of Decree No. 3,000 of March 26, 1999 and article 1, IX of Law No. 9,481 of August 13, 1997. There is a risk, however, that the tax authorities may modify current laws or apply the rate of 25% to beneficiaries domiciled in tax haven jurisdictions. A “tax haven” jurisdiction is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%, or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents.

In addition, if specified in the applicable Final Terms, the relevant Issuer will make payments with respect to the Notes and will indemnify the Noteholders so that, after payment of all applicable Brazilian taxes collectable by withholding, deduction or otherwise, with respect to principal, interest (including the original issue discount) and additional amounts payable with respect to the Notes (plus any interest and penalties thereon), a Noteholder will retain an amount equal to the amounts that such Noteholder would have retained had no such Brazilian taxes (plus interest and penalties thereon) been payable. If specified in the applicable Final Terms, the relevant Issuer will, subject to certain exceptions, pay Additional Amounts in respect of such withholding or deduction so that the holder receives the net amount due.

According to article 26 of Law No. 10,833 enacted on December 29, 2003, capital gains realized on the disposal of assets located in Brazil by a non-resident to another non-resident made outside Brazil are subject to taxation in Brazil. If the Notes are issued abroad, whether by our New York branch or Grand Cayman branch, we believe that gains on the sale or other disposal of the Notes made outside Brazil by a Non-Resident Holder, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident would not be subject to Brazilian taxes, since it will not fall within the definition of assets located in Brazil for purposes of Law No. 10,833. However, considering the general scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, we are unable to predict whether such interpretation will ultimately prevail in the Brazilian courts.

Furthermore, gains realized by a Non-Resident Holder from the sale or other disposal of the Notes to a Brazilian resident are subject to Brazilian income tax at a rate of 15% or 25%, if the Non-Resident Holder is domiciled in a “tax haven” jurisdiction (which is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%, or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of income attributed to non-residents pursuant to section 23 of Law No. 11,727 enacted on June 23, 2008 and §4° of Law No. 9,430 enacted on December 27, 1996).

On June 24, 2008, Law No. 11,727 was enacted, introducing the concept of a “privileged tax regime”. Under this new law, a “privileged tax regime” is considered to apply to a jurisdiction that meets any of the following requirements: (i) it does not tax income or taxes income at a maximum rate lower than 20%; (ii) it grants tax advantages to a non-resident entity or individual (a) without requiring substantial economic activity in the jurisdiction of such non-resident entity or individual or (b) to the extent such non-resident entity or individual does not conduct substantial economic activity in the jurisdiction of such non-resident entity or individual; (iii) it does not tax income generated abroad, or imposes tax on income generated abroad at a maximum rate lower than 20%, or (iv) it restricts the ownership disclosure of assets and ownership rights or restricts disclosure about the execution of economic transactions.

Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that the above mentioned concept of a “privileged tax regime” should apply only for the purposes of Brazilian transfer pricing rules, it is unclear whether such concept would also apply to the acquisition of Notes by non-residents for the purposes of this law. There is no judicial guidance as to the application of Law No. 11,727 and, accordingly, we are unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts may decide that the “privileged tax regime” concept shall be applicable to deem a non-resident Noteholder as a tax haven resident when carrying out investments in Notes. In the event that the “privileged tax regime” concept is interpreted to be applicable to transactions such as the acquisition of Notes by non-residents, this tax law would accordingly result in the imposition of taxation to a non-resident Noteholder that meets the privileged tax regime requirements in the same way applicable to a tax haven resident.

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 Noteholder (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.

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 Tax on Foreign Exchange Transactions - IOF/*Câmbio*. Currently, the IOF/*Câmbio* rate is 0.38% for most transfers of foreign currency into *Reais*. According to Section 15, XIX of the Decree No. 6,306, the liquidation of exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, related to proceeds raised as from October 23, 2008, are subject to IOF/*Câmbio* at a zero percent rate. The rate is 5.38% for the conversion of foreign loans with a term of less than 90 days into Brazilian currency. However, the federal 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.

Foreign Currency Constraint, Sovereign Event and Credit Event Provisions

Currency constraint, sovereign events or credit events are exceptional circumstances. If any such events materialize, the taxation commented above may not be applicable in a situation where constitutional principles are not observed. Noteholders are encouraged to consult with their legal and tax advisors concerning the tax implications of such events, if and when materialized.

SUBSCRIPTION AND SALE

The following section replaces "Brazil" under "Subscription and Sale" beginning on page A-69 of the Base Prospectus.

Brazil

Each Dealer has agreed that it has not offered or sold, and will not offer or sell, any Notes in Brazil, except in compliance with applicable Brazilian laws or pursuant to an available exemption therefrom.

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 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 Dealers 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.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the 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" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) 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 (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

TRANSFER RESTRICTIONS

The following section replaces "Transfer Restrictions" beginning on page A-73 of the Base Prospectus.

Each prospective purchaser of Notes offered in reliance on Rule 144A by accepting delivery of this Base Prospectus will be deemed to have represented and agreed that such offeree acknowledges that this Base Prospectus is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Base Prospectus, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Each purchaser of Notes offered and sold in reliance on Rule 144A will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(1) The purchaser (A) is a qualified institutional buyer, (B) is aware that the sale to it is being made in reliance on Rule 144A and (C) is acquiring such Notes for its own account or for the account of a qualified institutional buyer.

(2) The Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, the Notes have not been and will not be registered under the Securities Act, and, if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Notes, such Notes may be offered, sold, pledged, or otherwise transferred only (A) to a person who the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

(3) The purchaser understands that Notes of a Series offered in reliance on Rule 144A will be represented by a Restricted Global Note Certificate. Before any interest in such Restricted Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate, the seller will be required to provide the Trustee and the Registrar with a written certification (in the form provided in the Trust Deed) as to compliance with the transfer restrictions referred to in clause (2)(B) or (2)(C) above.

In order to effectuate the foregoing restrictions on resales and other transfers of the Definitive Bearer Notes or Individual Note Certificates sold or issued in exchange for a Note sold pursuant to Rule 144A, if any resale or transfer of a Note is proposed to be made (otherwise than to or through a Dealer or in reliance on Rule 144A or Regulation S), (i) directly by the holder of a Note, or (ii) through the services of a dealer other than a Dealer, the prospective purchaser of the Note, in the case of a resale or transfer of a Note to be made directly by the holder of such note, or such dealer, in the case of a resale or transfer of such Note to be made through such dealer, shall deliver a letter to the Issuer substantially in the form provided in the Paying Agency Agreement, appropriately completed. If any resale or transfer of a Note is proposed to be made to a Dealer in reliance on Rule 144A or Regulation S, either (i) the holder of such Note shall have made the appropriate notation on the transfer notice set forth on such Note or otherwise advised the Issue Agent in writing that it is relying on Rule 144A or Regulation S in connection with such transfer or is transferring such Note to a Dealer or (ii) the prospective purchaser, its agent or a Dealer shall deliver a letter to the Issue Agent substantially in the form prescribed in the Paying Agency Agreement, appropriately completed along with the Note presented for transfer. Inquiries concerning transfers of Notes should be made to any Dealer.

In order to effectuate the foregoing restrictions on resales and other transfers of the Definitive Bearer Notes or Individual Note Certificates sold or issued in exchange for a Note sold pursuant to Rule 144A, if any resale or transfer of a Note is proposed to be made (otherwise than to or through a Dealer or in reliance on Rule 144A or Regulation S), (i) directly by the holder of a Note, or (ii) through the services of a dealer other than a Dealer, the prospective purchaser of the Note, in the case of a resale or transfer of a Note to be made directly by the holder of

such note, or such dealer, in the case of a resale or transfer of such Note to be made through such dealer, shall deliver a letter to the Issuer substantially in the form provided in the Paying Agency Agreement, appropriately completed. If any resale or transfer of a Note is proposed to be made to a Dealer or in reliance on Rule 144A or Regulation S, either (i) the holder of such Note shall have made the appropriate notation on the transfer notice set forth on such Note or otherwise advised the Issue Agent in writing that it is relying on Rule 144A or Regulation S in connection with such transfer or is transferring such Note to a Dealer or (ii) the prospective purchaser, its agent or a Dealer shall deliver a letter to the Issue Agent substantially in the form prescribed in the Paying Agency Agreement, appropriately completed along with the Note presented for transfer. Inquiries concerning transfers of Notes should be made to any Dealer.

The Restricted Global Note Certificates will bear a legend to the following effect unless the Issuer determines otherwise in compliance with applicable law:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, AND PRIOR TO THE DATE WHICH IS SIX MONTHS AFTER THE ORIGINAL ISSUE DATE HEREOF MAY BE TRANSFERRED ONLY PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT PROVIDED BY EITHER RULE 144A OR REGULATION S THEREUNDER”.

Individual Note Certificates issued in exchange for an interest in a Restricted Global Note Certificate will bear the following legend and be subject to the transfer restrictions set forth therein:

“THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER SUCH ACT UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE. THE PURCHASER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THIS NOTE SET FORTH BELOW AND AGREES THAT IT SHALL TRANSFER SUCH NOTES ONLY AS PROVIDED IN THE PAYING AGENCY AGREEMENT REFERRED TO HEREIN. IN ADDITION, THE PURCHASER REPRESENTS THAT IT IS ACQUIRING THIS NOTE FOR INVESTMENT AND NOT WITH A VIEW TO ANY SALE OR DISTRIBUTION HEREOF, SUBJECT TO ITS ABILITY TO RESELL THIS NOTE PURSUANT TO RULE 144A OR REGULATION S OR AS OTHERWISE PROVIDED BELOW AND SUBJECT IN ANY CASE TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PROPERTY OF ANY PURCHASER SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL.

BY ITS ACCEPTANCE OF THIS NOTE, THE PURCHASER AGREES THAT, PRIOR TO THE DATE WHICH IS SIX MONTHS AFTER THE ORIGINAL ISSUE DATE HEREOF, THIS NOTE MAY BE TRANSFERRED ONLY (A) PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT PROVIDED BY EITHER RULE 144A OR REGULATION S THEREUNDER, (B) TO A DEALER (AS DEFINED IN THE PAYING AGENCY AGREEMENT) OR (C) PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS AS CONFIRMED IN AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER. IF REQUESTED BY THE ISSUER OR BY A DEALER, THE PURCHASER AGREES TO PROVIDE THE INFORMATION NECESSARY TO DETERMINE WHETHER THE TRANSFER OF THIS NOTE IS PERMISSIBLE UNDER THE SECURITIES ACT. THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATED TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THE FOREGOING LEGENDS MAY BE REMOVED FROM THIS NOTE ON SATISFACTION OF THE CONDITIONS SPECIFIED IN THE PAYING AGENCY AGREEMENT”.

The Paying Agency Agreement provides that such legends will not be removed unless the Registrar is advised that the relevant Note is being transferred pursuant to Regulation S or unless there is delivered to the Issuer and the

Registrar satisfactory evidence, which may include an opinion of U.S. counsel, to the effect that neither such legends nor the restrictions on transfer set forth therein are required to ensure that transfers of such Note comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Note is not a “restricted security” within the meaning of Rule 144 under the Securities Act. As a general matter, the legends may be removed from any Note six months after the original issue date thereof, *provided* that during such six-month period such Note has not been acquired by the Issuer or any affiliate thereof.

GENERAL INFORMATION

The following section supplements “General Information” beginning on page A-75 of the Base Prospectus.

(1) The establishment of the Program and the issuance of the Notes thereunder by us is authorized by our by-laws and by a resolution of our Board of Directors, passed on April 23, 1999. Pursuant to a resolution of our Board of Directors, passed on February 6, 2001, the Program amount was increased to US\$1,500,000,000. Pursuant to a resolution of our Board of Directors passed on May 21, 2003, the Program amount was increased to US\$2,500,000,000. Pursuant to Brazilian law and our by-laws, we are not required to have approval from our Board of Directors where our annual update of the Program involves only the update of the Base Prospectus. All necessary applicable consents, approvals, authorizations and other orders of all regulatory authorities under the laws of Brazil have been given for the establishment of the Program, the issue of Notes under the Program and the execution of any document in connection therewith and are in full force and effect. Where the Issuer is acting through its principal office in Brazil in an issuance of Notes under the Program, the Issuer shall be required to fulfill the following additional requirements: (i) the electronic registration of the financial terms and conditions of the Notes under the relevant ROF for the issue of any series of Notes, which shall be obtained prior to any such issuance; (ii) the registration in the ROF of the relevant schedule of payments, which shall be obtained after the entry into Brazil of the related proceeds; (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 or revalidations to the ROF and schedules of payments.

(2) Application has been made for Notes to be issued under the Program to be admitted for listing on the official list of the Luxembourg Stock Exchange and to be admitted to trade on the regulated market of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for purposes of the Financial Instruments Markets Directive (Directive 2004/39/EC). However, a Series of Notes may be issued pursuant to the Program which will not be listed on the official list of the Luxembourg Stock Exchange or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

(3) The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg clearance systems. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210, Brussels, Belgium, and the address of Clearstream is 42 Avenue John Fitzgerald Kennedy, L-1855, Luxembourg, Luxembourg. The appropriate Common Code and International Securities Identification Number for each series of Notes will be set forth in the Final Terms relating thereto. In addition, we will (or, in relation to Notes denominated in a currency other than U.S. dollars, may) make an application with respect to each Series of Notes sold pursuant to Rule 144A for such Notes to be accepted for trading in book-entry form by DTC. All payments of principal and interest with respect to Notes denominated in any currency other than U.S. dollars and registered in the name of the nominee for DTC will be converted to U.S. dollars unless the relevant participants in DTC elect to receive such payment of principal or interest in that other currency. Acceptance of each Series of Notes for trading through DTC will be confirmed in the Final Terms relating thereto.

(4) Copies of the Base Prospectus, the Final Terms, the Trust Deed, the Paying Agency Agreement, our by-laws, our audited consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 (in English), as well as our latest unaudited interim consolidated financial statements (in English), may be obtained, during the term of the Notes: (i) in the City of Luxembourg, at the office of the Listing Agent for the Notes on the Luxembourg Stock Exchange and (ii) at the office of any Paying Agent.

(5) Our audited consolidated financial statements as of and for the years ended December 31, 2009, 2008, and 2007 incorporated by reference in this Base Prospectus, have been prepared in accordance with Accounting Practices Adopted in Brazil (“**Accounting Practices Adopted in Brazil**”).

(6) There has been no material adverse change in our prospects since December 31, 2009.

(7) There has been no significant change in our financial or trading position since December 31, 2009.

FORWARD-LOOKING STATEMENTS

The following section replaces “Forward-Looking Statements” beginning on page B-1 of the Base Prospectus.

This Base Prospectus includes certain forward-looking statements. These forward-looking statements are based principally on our current expectations and on projections of future events and financial trends that currently affect or might affect our business. In addition to the items discussed in other sections of this Base Prospectus, there are many significant factors that would cause our financial condition and results of operation to differ materially from those set out in our forward-looking statements, including, but not limited to, factors such as:

- global economic conditions;
- political, economic and business conditions in Brazil and the markets in which we operate;
- risks of lending, credit, investments and our activities;
- our level of capitalization;
- cost and availability of funding;
- increases in defaults by borrowers and other loan delinquencies, which result in increases in loan loss allowances;
- customer losses or losses of other sources of revenues;
- our ability to execute our strategies and capital expenditure plans and to maintain and improve our operating performance;
- our revenues from new products and businesses;
- adverse legal or regulatory disputes or proceedings;
- inflation, depreciation of the *real*, and/or interest rate fluctuations, which may adversely affect our margins;
- competitive conditions in the banking, financial services, credit card services, asset management and insurance sectors and related industries;
- the market value of securities, particularly Brazilian government securities; and
- changes in laws and regulations, including by the Central Bank, applicable to us and our activities, and including, among others, those affecting tax matters.

The words “believe,” “expect,” “continue,” “understand,” “estimate,” “will,” “may,” “anticipate,” “should,” “intend” and other similar expressions are intended to identify forward-looking statements. Such statements refer only to the date on which they were expressed and we assume no obligation to publicly update or revise any forward-looking statements as a result of new information or any other events. In light of these risks and uncertainties, the forward-looking statements, events and circumstances discussed in this Base Prospectus may not be accurate and our actual results and performance could differ materially from those anticipated in our forward-looking statements. Investors should not make an investment decision based solely on the forward-looking statements in this Base Prospectus.

ENFORCEABILITY OF CIVIL LIABILITIES

The following section replaces “Enforceability of Civil Liabilities” beginning on page B-1 of the Base Prospectus.

Brazil

We are a corporation organized under the laws of Brazil. Substantially all of our directors and executive officers and certain advisors named herein reside in Brazil or elsewhere outside the United States and England, 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 and England. 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 any of our judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions. In the terms and conditions of the Notes, each of us will (i) agree that the courts of England shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Notes and, for such purposes, irrevocably submit to the jurisdiction of such courts and (ii) name an agent for service of process in England. See “Terms and Conditions of the Notes”.

We have been advised by Pinheiro Neto Advogados, our Brazilian counsel, that judgments of non-Brazilian courts for civil liabilities predicated upon the laws of such countries, including the securities laws of the United States and England, subject to certain requirements described below, may be enforced in Brazil. A judgment against either us (including our New York or Grand Cayman branches) or any other person described above obtained outside Brazil would be enforceable in Brazil against us or any such person without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). That confirmation, generally, will occur if the foreign judgment (a) fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted, (b) is issued by a competent court after proper service of process is made in accordance with Brazilian legislation, (c) is not subject to appeal, (d) is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese and (e) is not contrary to Brazilian national sovereignty, public policy or public morality (as set forth in Brazilian law). Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the laws of countries other than Brazil with respect to the Notes. We understand that original actions predicated on the laws of countries other than Brazil may be brought in Brazilian courts and that Brazilian courts may enforce civil liabilities in such actions against us, our directors, certain of our officers and the advisors named herein. Pursuant to Article 835 of the Brazilian Code of Civil Procedures, a plaintiff (whether Brazilian or non-Brazilian) who resides outside or leaves Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant’s attorneys’ fees, as determined by the Brazilian judge. This requirement does not apply to enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice, nor to exceptions set forth in certain limited circumstances (enforcement of trade bills (*títulos executivos extrajudiciais*) and counterclaims (*reconvenções*)) under Article 836 of such code.

Cayman Islands

Our Grand Cayman branch is duly licensed as a foreign company under Part IX of the Companies Law (2009 Revision) and, as the holder of a category “B” banking license, is duly authorized under The Banks and Trust Companies Law (2009 Revision) of the Cayman Islands to carry on banking business from and within the Cayman Islands subject to the restrictions set forth in Section 6 of The Banks and Trust Companies Law (2009 Revision) of the Cayman Islands which restricts the holder of a category “B” banking license from taking deposits from persons resident in the Cayman Islands, subject to certain exemptions, *inter alia*, in respect of exempted or ordinary non-resident companies and other licensees. The Cayman Islands has a less developed body of securities law as compared to the United States and provides protection for investors to a significantly lesser extent.

We have been advised by Appleby, our Cayman Islands Counsel, that, subject to certain qualifications, a final and conclusive judgment, *in personam* of the courts of England or Brazil having competent jurisdiction for a debt or definite sum of money (other than a sum payable in respect of taxes or other charges of a like nature or in respect of

a fine or other similar penalty) and obtained without fraud or without breaching the principles of natural justice in the Cayman Islands or in contravention of Cayman Islands public policy in respect of any of the transaction documents, would be recognized and enforced by the Courts of the Cayman Islands by originating action on such judgment.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The following section replaces “Presentation of Financial and Other Information” beginning on page B-3 of the Base Prospectus.

Financial Information in this Base Prospectus

Our operations are based primarily in Brazil and our audited consolidated financial statements as of and for years ended December 31, 2009, 2008 and 2007 incorporated by reference in this Base Prospectus have been prepared in accordance with the Brazilian Corporate Law, which sets forth the accounting method required to be followed by all Brazilian corporations. The rules and regulations of the *Conselho Monetário Nacional* (the National Monetary Council) (the “**CMN**”), the Central Bank, the *Comissão de Valores Mobiliários* (Brazilian Securities Commission) (the “**CVM**”) (the *Comitê de Pronunciamentos Contábeis* (the “**Committee on Accounting Practices**”), when applicable, and certain other regulatory entities, such as the *Superintendência de Seguros Privados* (the Superintendency of Private Insurance) (“**SUSEP**”), provide additional industry specific guidelines which are also considered part of accounting practices adopted in Brazil applicable to us and, together with the principles prescribed by the Brazilian Corporate Laws, are referred to as Accounting Practices Adopted in Brazil. Our audited consolidated financial statements as of and for years ended December 31, 2009, 2008 and 2007 incorporated by reference in this Base Prospectus are presented in nominal *reais* in accordance with the Accounting Practices Adopted in Brazil.

Reclassifications

Financial Statements as of and for the years ended December 31, 2009 and 2008

To allow consistency and comparability of our financial statements, we reclassified certain amounts as of and for the year ended December 31, 2008 for inclusion in our consolidated financial statements as of and for the years ended December 31, 2009 and 2008 to provide for the same changes of presentation introduced in 2009.

We were not required to, and did not, reclassify our financial statements as of and for the years ended December 31, 2008 and 2007. Accordingly, these financial statements are not directly comparable to the financial statements as of and for the years ended December 31, 2009 and 2008. Had the financial information relating to 2007 in the financial statements as of and for the years ended December 2008 and 2007 also been presented on a basis consistent with 2009, similar reclassifications to those made to the 2008 numbers in the financial statements as of and for the years ended December 31, 2009 and 2008 would have been made, although the amounts involved would have been different.

The reclassification of certain amounts as of and for the year ended December 31, 2008 to ensure consistency and comparability with 2009 is quantified in note 4b to our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2008.

Non-GAAP Information

To be consistent with industry practice, we include certain non-GAAP items as part of our financial disclosure, including “Financial Margin,” “Net Income from Insurance, Private Pension Plans, and Certified savings bonds,” “Return on Equity,” “Return on Assets,” “Claim Ratio” and “Selling Ratio”. These items are not recognized under U.S. GAAP or Accounting Practices Adopted in Brazil. Accordingly, these items do not have standardized meanings and may not be directly comparable to similarly-titled items adopted by other entities. Potential investors should not rely on non-GAAP information in making an investment decision.

Filings with the United States Securities and Exchange Commission

We are a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) and we file and/or furnish periodic reports with the SEC. However, those reports do not form part of, and are not incorporated by reference in, this Base Prospectus. You should rely only on the

information contained in this Base Prospectus in making an investment decision in relation to the Notes. You should note in particular that our annual report on Form 20-F, which we are required to file with the SEC each year, contains different information from that contained in this Base Prospectus. In particular, our Form 20-F contains our financial statements and related financial information prepared in accordance with U.S. GAAP, while the financial statements and related financial information in this Base Prospectus was prepared in accordance with Accounting Practices Adopted in Brazil. We have not prepared any reconciliation between our financial information prepared in accordance with U.S. GAAP and our financial information prepared in accordance with Accounting Practices Adopted in Brazil.

EXCHANGE CONTROLS AND FOREIGN EXCHANGE RATES

The following section replaces “Exchange Controls and Foreign Exchange Rates” beginning on page B-5 of the Base Prospectus.

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely, and since then, the *real*/U.S. dollar exchange rate has fluctuated considerably. Until early 2003, the value of the *real* declined relative to the U.S. dollar and then began to stabilize. The *real* appreciated against the U.S. dollar in 2004-2007 and in 2009. In 2008, as a result of the worsening of the global financial and economic crisis the *real* depreciated 31.9% against the U.S. dollar, and on December 31, 2008 the exchange rate of the *real* in relation to the U.S. dollar was R\$2.337 per U.S.\$1.00. In the past, the Central Bank has intervened occasionally to control instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially.

Prevailing regulations permit that all proceeds from the export of goods or services be kept in bank accounts outside of Brazil and eventually used abroad, without any need to repatriate such amounts. Permission to maintain 100% of such funds abroad was originally introduced by CMN Resolution No. 3,548, of March 12, 2008, (“**Resolution 3,548/08**”) which amended CMN Resolution No. 3,389, of August 4, 2006. CMN Resolution 3,548/08 was then revoked by CMN Resolution No. 3,719, of April 30, 2009 (“**Resolution 3,719/09**”) which expressly foresees in its article two the same provision established by Resolution 3,548/08.

Based on Resolution 3,719/09, local exporters are now allowed to keep up to 100% of their export proceeds abroad and freely dispose of such amounts (including transferring them to foreign third parties), with due regard for the rules issued by the CMN and by the Federal Revenue Office in Brazil. Such proceeds held abroad, however, cannot be lent by Brazilian exporters.

The following table sets forth the period end, average, high and low Foreign Exchange Market selling rates published by the Central Bank on the SISBACEN Data System under transaction code PTAX 800 (*Consultas de Câmbio*) (Exchange Rate Enquiry), Option 5, *Venda (Cotações para Contabilidade)* (Rates for Accounting Purposes) expressed in *reais* per U.S.\$ for the periods and dates indicated. The exchange rate as of March 12, 2010 was R\$1.7637 per U.S. dollar.

Year	Closing Selling Rates of Nominal <i>reais</i> per U.S.\$1.00			
	Low	High	Average ⁽¹⁾	Period End
2004.....	2.6544	3.2051	2.9150	2.6544
2005.....	2.1633	2.7621	2.4311	2.3407
2006.....	2.0586	2.3711	2.1812	2.1380
2007.....	1.7325	2.1556	1.9460	1.7713
2008.....	1.5593	2.5004	1.8287	2.3370
2009.....	1.7024	2.4218	2.0171	1.7412

Month	Closing Selling Rates of Nominal <i>reais</i> per U.S.\$1.00		
	Low	High	Period End
January 2010.....	1.7227	1.8748	1.8748
February 2010.....	1.8046	1.8773	1.8110
March 2010 (through March 12, 2010).....	1.7637	1.8000	1.7637

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

THE ISSUERS

The following section replaces “The Issuers” beginning on page B-6 of the Base Prospectus.

Banco Bradesco

We are one of the largest private-sector (non-government controlled) banks in Brazil in terms of total assets as of December 31, 2009. We provide a wide range of banking and financial products and services to individuals, small- to mid-sized companies in Brazil and abroad and major local and international corporations and institutions. As of December 31, 2009, we, in conjunction with our subsidiaries, provided services and products through our nationwide network consisting of 3,454 branches, 30,657 ATMs, 4,112 special banking service posts and electronic service outlets located on the premises of selected corporate customers, 6,067 Postal Bank booths, and four branches and seven subsidiaries located in New York, the Cayman Islands, the Bahamas, Tokyo, Buenos Aires, Hong Kong, London and Luxembourg.

As of December 31, 2009, we had, on a consolidated basis, R\$506.2 billion in total assets, R\$191.0 billion in credit operations, R\$171.1 billion in total deposits and R\$41.8 billion in shareholders' equity.

We were incorporated on March 2, 1943 and were licensed by the Central Bank of Brazil as a multiple-service bank in Brazil in 1988. Article 5 of our by-laws provides that our corporate purposes are to perform general banking activities, including foreign exchange transactions. We are a corporation organized pursuant to Brazilian Corporate Law and are registered with the Board of Trade of the State of São Paulo under National Corporate Registration Number 35.300.027.795.

Our registered office is Cidade de Deus, Vila Yara, 06029—900, Osasco, São Paulo, Brazil (telephone +55 11 3235 9566).

Bradesco Grand Cayman branch

Our Grand Cayman branch was established in 1982, principally for the purpose of obtaining short-term funding to finance Brazilian trade-related transactions. Our Grand Cayman branch is registered as a foreign company under the Companies Law of the Cayman Islands with the Cayman Islands' Registrar of Companies pursuant to license no. 1306 of January 12, 1982. Our Grand Cayman branch is also registered with the Cayman Islands Monetary Authority pursuant to license no. 82004 of February 2, 1982.

Our Grand Cayman branch is currently engaged in the business of sourcing funds from banks and the international banking and capital markets. The majority of these funds are on-lent to us and extended to our customers for working capital and trade-related financings. Our Grand Cayman branch also takes deposits in foreign currencies from corporate and individual customers who are not resident in the Cayman Islands and extends credit to Brazilian and non-Brazilian customers, principally for trade financing with Brazil.

The registered office of our Grand Cayman branch is DMS House (3rd floor), 20 Genesis Close, P.O. Box 1818 GT, Grand Cayman, Cayman Islands (telephone +1 345 945 1200).

Bradesco New York branch

Our New York branch was established in June 1982, principally for the purpose of obtaining short-term funding from correspondent banks used to finance Brazilian trade-related transactions. Our New York branch operates as a federal branch in New York pursuant to the provisions of the International Banking Act of 1978 of the United States and to a federal license granted by the Office of the Comptroller of the Currency Administrator of National Banks under No. 41 as of June 1, 1982 and is located in New York City at 450 Park Avenue (32nd/33rd floors), New York, New York 10022, U.S.A. tel +1 212 688 9855.

Our New York branch's business strategy is dedicated to the further development of relationships with multinational corporations, especially those headquartered in the United States, with an emphasis in particular on those

corporations with business or financial interests in Brazil and Brazilian corporations and banks engaged in export and import financing or refinancing between Brazil and the rest of the world. Our New York branch provides an array of services related to letters of credit, loans, inward and outward collections, inward and outward payment orders, money transfers, checking accounts and money market activities, as well as trade financing, through discount bills of exchange, pre-export financing and import financing.

CAPITALIZATION

The following section replaces “Capitalization” beginning on page B-8 of the Base Prospectus.

The following table sets forth our capitalization as of December 31, 2009, as derived from our audited consolidated financial statements prepared in accordance with the Accounting Practices Adopted in Brazil. This table should also be read in conjunction with “Selected Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements as of and for the year ended December 31, 2009, which are incorporated by reference in this Base Prospectus.

As of December 31, 2009, our corporate capital of R\$26.5 billion consisted of 3,427,085,833 shares with no par value, of which 1,713,543,005 were common shares and 1,713,542,828 were preferred shares. All of our issued capital is fully paid-up.

On March 10, 2010, a special stockholders’ meeting approved the cancellation of 6,676,340 shares with no par value which we held in treasury, of which 3,338,170 were common shares and 3,338,170 were preferred shares with no decrease in capital.

Except for the above, there has been no material change to our capitalization since December 31, 2009.

	As of December 31, 2009
	<i>(R\$ in millions, except percentages)</i>
Long-term debt⁽¹⁾	
Deposits	66,592
Funds from issuance of securities.....	4,115
Borrowings and onlendings.....	13,122
Other liabilities and derivative financial instruments	36,149
Subtotal.....	119,977
Secured and guaranteed long-term debt⁽²⁾	
Federal funds purchased and securities sold under agreements to repurchase	26,683
Total long-term debt	146,660
Technical provisions for insurance, private pension plans and certificated savings bonds	18,082
Deferred income	321
Minority interest in subsidiaries	798
Shareholders’ equity	41,754
Total capitalization⁽³⁾	207,615
Risk-based capital ratios	
Risk-based capital ratio ⁽⁴⁾	17.8%
Risk-based capital ratio (consolidated total basis) ⁽⁵⁾	17.8%

Since December 31, 2009, we paid to our shareholders approximately R\$86 million in the form of dividends.

- (1) Unsecured and not guaranteed long-term debt.
- (2) Secured by federal funds sold and securities purchased under agreements to resell.
- (3) Total capitalization is equal to the sum of total long-term debt, technical provision related to insurance, private pension plans and certificated savings bonds, deferred income, minority interest in subsidiaries and shareholders’ equity.
- (4) Calculated based on CMN Resolution 2,099, of August 17, 1994, as amended, and other applicable regulations and presented on a consolidated basis excluding our non-financial subsidiaries. See “Brazilian Financial Services Industry and Regulations — Bank Regulations”.
- (5) Calculated based on CMN Resolution 2,723, of June 1, 2000 as amended (or Resolution 2,723) and other applicable regulations and presented on a consolidated total basis including our non-financial subsidiaries. Since July 31, 2000, as required by Resolution 2,723, we have also been required to measure our capital compliance on a consolidated total basis (which includes both our financial and non-financial subsidiaries). See “Brazilian Financial Services Industry and Regulations — Bank Regulations”.

SELECTED FINANCIAL INFORMATION

The following section replaces “Selected Financial Information” beginning on page B-9 of the Base Prospectus.

The following tables set forth certain of our selected financial information on a consolidated basis as of and for the years ended December 31, 2009, 2008 and 2007. This selected financial information has been derived from our unaudited consolidated financial statements, including the notes thereto, for the years ended December 31, 2009, 2008 and 2007, respectively, which are incorporated by reference into this Base Prospectus Supplement and should be read in conjunction with the sections “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Our audited consolidated financial statements in *reais*, including the notes thereto, as of and for the years ended December 31, 2009, 2008 and 2007 have been prepared in accordance with the Accounting Practices Adopted in Brazil.

Reclassifications

Financial Statements as of and for the years ended December 31, 2009 and 2008

To allow consistency and comparability of our financial statements, we reclassified certain amounts as of and for the year ended December 31, 2008 for inclusion in our consolidated financial statements as of and for the years ended December 31, 2009 and 2008 to provide for the same changes of presentation introduced in 2009.

We were not required to, and did not, reclassify our financial statements as of and for the years ended December 31, 2008 and 2007. Accordingly, these financial statements are not directly comparable to the financial statements as of and for the years ended December 31, 2009 and 2008. Had the financial information relating to 2007 in the financial statements as of and for the years ended December 2008 and 2007 also been presented on a basis consistent with 2009, similar reclassifications to those made to the 2008 numbers in the financial statements as of and for the years ended December 31, 2009 and 2008 would have been made, although the amounts involved would have been different.

The reclassification of certain amounts as of and for the year ended December 31, 2008 to ensure consistency and comparability with 2009 is quantified in note 4b to our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2008.

Our consolidated financial information set out below includes the financial position and results and operations, since the date of acquisition of certain institutions during the past years. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Certain Factors Affecting Our Financial Performance— Acquisitions and Joint Ventures”.

	For the years ended December 31,	
	2009	2008
	(R\$ in millions)	
	(Reclassified)	
Consolidated Income Statement Data		
Gross income from financial intermediation ⁽¹⁾	20,374	15,772
Fee and commission income	11,611	10,862
Retained premiums from insurance, private pension plans and certificated savings bonds	26,110	22,824

Variation of technical provisions for insurance, private pension plans and certificated savings bonds	(12,786)	(10,533)
Retained claims and certificated savings bonds drawings and redemptions	(10,077)	(8,857)
Insurance, private pension plans and certificated savings bonds.....	(1,265)	(1,178)
Operating expenses ⁽²⁾	(17,249)	(15,648)
Equity in the earnings of affiliate companies.....	200	135
Others ⁽³⁾	<u>(4,800)</u>	<u>(5,204)</u>
Income before taxes on income and minority interest	12,119	8,173
Income taxes and social contribution	(4,082)	(519)
Minority interest in subsidiaries	<u>(25)</u>	<u>(34)</u>
Net income	<u>8,012</u>	<u>7,620</u>

- (1) Gross income from financial intermediation consists of revenues from financial intermediation and expenses from financial intermediation.
(2) "Operating expenses" consist of personnel expenses, other administrative expenses and additional provisions for labor proceedings.
(3) "Others" consist of tax expenses, other operating revenue (expense) and non operating income (expense).

	For the years ended December 31,	
	2008	2007
	<i>(R\$ in millions)</i> (Not Reclassified)	
Consolidated Income Statement Data		
Gross income from financial intermediation ⁽¹⁾	15,772	18,032
Fee and commission income	11,215	10,805
Retained premiums from insurance, private pension plans and certificated savings bonds	22,824	20,857
Variation of technical provisions for insurance, private pension plans and certificated savings bonds	(10,533)	(11,669)
Retained claims and certificated savings bonds drawings and redemptions.....	(8,857)	(7,392)
Insurance, private pension plans and certificated savings bonds	(1,178)	(1,084)
Operating expenses ⁽²⁾	(15,310)	(13,713)
Equity in the earnings of affiliate companies	135	42
Others ⁽³⁾	<u>(5,895)</u>	<u>(5,334)</u>
Income before taxes on income and minority interest.....	8,173	10,544
Income taxes and social contribution	(519)	(2,523)
Minority interest in subsidiaries.....	<u>(34)</u>	<u>(11)</u>
Net income	7,620	8,010

- (1) Gross income from financial intermediation consists of revenues from financial intermediation and expenses from financial intermediation.
(2) "Operating expenses" consist of personnel expenses, other administrative expenses and additional provisions for labor proceedings.
(3) "Others" consist of tax expenses, other operating revenue (expense) and non operating income (expense).

	As of December 31,	
	2009	2008
	<i>(R\$ in millions)</i>	
	<i>(Reclassified)</i>	
Consolidated Balance Sheet Data		
Assets		
Funds available	6,947	9,295
Interbank investments	110,797	74,191
Securities and derivative financial instruments	146,619	131,598
Loan and leasing operations	172,974	160,501
Other receivables	54,365	65,877
Allowance for loan losses	(16,313)	(10,263)
Other assets	20,640	15,603
Ownership in affiliated and subsidiary companies and other investments	1,261	1,048
Property, plant and equipment, net	3,418	3,249
Intangible Assets	5,516	3,313
Total assets	506,223	454,413
Liabilities and shareholders' equity		
Deposits	171,073	164,493
Federal funds purchased and securities sold under agreement to repurchase	113,273	79,977
Issuance of securities	7,483	9,012
Borrowings and onlendings — short term	14,206	19,865
Borrowings and onlendings — long term	13,122	12,083
Technical provisions for insurance, private pension plans and certificated savings bonds	75,572	64,587
Other liabilities	68,623	69,545
Deferred income	321	274
Minority interest in subsidiaries	798	321
Shareholders' equity	41,754	34,257
Total liabilities and shareholders' equity	506,223	454,413

	As of December 31,	
	2008	2007
	<i>(R\$ in millions)</i>	
	<i>(Not Reclassified)</i>	
Consolidated Balance Sheet Data		
Assets		
Funds available	9,296	5,486
Interbank investments	74,191	37,623
Securities and derivative financial instruments	131,597	114,452
Loan and leasing operations	160,501	123,974
Other receivables	65,877	35,940
Allowance for loan losses	(10,263)	(7,826)
Other assets	15,603	26,573
Ownership in affiliated and subsidiary companies and other investments	1,049	604
Property, plant and equipment, net	3,249	2,103
Intangible Assets	3,313	2,215
Total assets	454,413	341,144
Liabilities and shareholders' equity		
Deposits	164,493	98,323
Federal funds purchased and securities sold under agreement to repurchase	79,977	73,634
Issuance of securities	9,012	6,488
Borrowings and onlendings — short term	19,865	14,336
Borrowings and onlendings — long term	12,083	9,074
Technical provisions for insurance, private pension plans and certificated savings bonds	64,587	58,526
Other liabilities	69,545	50,061
Deferred income	274	189
Minority interest in subsidiaries	321	155
Shareholders' equity	34,257	30,357
Total liabilities and shareholders' equity	454,413	341,144

DIFFERENCES AMONG ACCOUNTING PRACTICES ADOPTED IN BRAZIL AND IFRS

The following section replaces “Differences among Accounting Practices adopted in Brazil, U.S. GAAP and IFRS” beginning on page B-12 of the Base Prospectus.

Our financial statements incorporated by reference into this Base Prospectus Supplement have been prepared in accordance with Accounting Practices Adopted in Brazil. Accounting Practices Adopted in Brazil comprises the accounting guidelines provided by Law No.6,404 of December 15, 1976 (the “**Brazilian Corporate Law**”), as amended by Law No 11,638, complemented by the rules and regulations of the *Conselho Monetário Nacional* (the National Monetary Council) (“**CMN**”), the Banco Central do Brasil (the Brazilian Central Bank) (“**Bacen**”), the *Comissão de Valores Mobiliários* (Brazilian Securities Commission) (“**CVM**”), the *Comitê de Pronunciamentos Contábeis* (the “**Committee on Accounting Practices**”), when applicable, and certain other regulatory entities, such as the *Superintendência de Seguros Privados* (the Superintendency of Private Insurance) (“**SUSEP**”), provide additional industry specific guidelines which are also considered part of accounting practices adopted in Brazil applicable to us and, together with the principles prescribed by the Brazilian Corporate Law. Our financial statements have not been prepared in accordance with International Accounting Standards (“**IAS**”) adopted pursuant to Article 3 of Regulation (EC) No. 1606/2002. Accordingly, there may be material differences in the financial information had Regulation (EC) No. 1606/2002 been applied to our historical financial statements.

There are certain differences among Accounting Practices Adopted in Brazil and IFRS (which incorporates all existing International Financial Reporting Standards (“**IFRS**”), 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. 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 Accounting Practices Adopted in Brazil, and IFRS as of December 31, 2009. Differences resulting from changes in accounting standards or from transaction or events that had occurred before December 31, 2009 have not been taken into account in this summary.
- Differences among Accounting Practices Adopted in Brazil 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 Accounting Practices Adopted in Brazil and IFRS that could affect future comparisons among Accounting Practices Adopted in Brazil 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 the Brazilian and United States professional accounting bodies and those of the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.
- As differences among Accounting Practices Adopted in Brazil and IFRS may be significant to the financial position or results of operations of the Company prospective investors unfamiliar with Accounting Practices Adopted in Brazil should consult their own professional advisors for an understanding of the differences among Accounting Practices Adopted in Brazil and IFRS and how those differences might impact the financial information presented herein.
- Unlike IFRS, under Accounting Practices Adopted in Brazil 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 Accounting Practices Adopted in Brazil, 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 Accounting Practices Adopted in Brazil.

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 is also an acceptable date.

Foreign Currency Translation

Under Accounting Practices Adopted in Brazil, 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 Accounting Practices adopted in Brazil, 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 Accounting Practices Adopted in Brazil, 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 Accounting Practices Adopted in Brazil, before August 2004 there were no specific pronouncements in relation to the consolidation of special purpose entities ("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 are consolidated proportionally. Also the standard 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. Such transactions are also evaluated under SFAS 140 -"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". See "— Transfer of Financial Assets".

Business Combinations, Purchase Accounting and Goodwill

Under Accounting Practices Adopted in Brazil, 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.

In addition, IFRS 3 (Revised) sets out more detailed guidelines as to the recognition of "intangible assets". Under IFRS 3 and IAS 38, "Goodwill and Other Intangible Assets", goodwill and other intangible assets with indefinite lives are no longer amortized. 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 Accounting Practices Adopted in Brazil, 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:
 - (i) no obligation to pay cash flows unless equivalent cash flows from the transferred asset collected;
 - (ii) the obligation to pass through cash flows; and
 - (iii) 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 Accounting Practices Adopted in Brazil, 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.

Leasing Operations as a Lessor

Our leasing operations are recorded on the basis of accounting principles prescribed by the Central Bank. Leased assets are recorded at cost and adjusted for inflation, less depreciation calculated on the straight-line method over 70% of the assets' useful lives. Gains on sales of leased assets are recognized as income in the year in which the purchase options relating to such assets are exercised. Losses on sales of leased assets are deferred and amortized over the remaining useful lives of the assets, at rates determined by applicable tax legislation. Central Bank regulations require that an adjustment be made to the book value of the leasing portfolio corresponding to present value, utilizing the internal rate of return of each contract. The amount of the adjustment is recorded as an excess/insufficiency of depreciation in the property for lease balance sheet account and credited/charged to other operating income/expenses. Lease financing receivables are recorded at initial contract amounts and adjusted for inflation in conformity with the criteria and indices established by each contract. Corresponding adjustments to unearned lease income are amortized to income over the life of respective contracts.

Under IFRS, in the case of capital leases, companies report gross lease receivables at the principal amount outstanding plus lease income receivable and guaranteed residual value. They show unearned lease income separately as a deduction from the gross lease receivables.

Insurance Premium Deficiency

Under Accounting Practices Adopted in Brazil, no calculation of premium deficiency was required until the year ended December 31, 2000.

For those contracts classified as insurance under IFRS an insurer shall assess at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognised in profit or loss. This assessment is called the Liability Adequacy Test

Insurance Claim Reserves

Under Accounting Practices Adopted in Brazil until the year ended December 31, 2000, claims could be recorded taking into consideration reported claims. Incurred but not reported ("IBNR") reserves were recommended to be calculated using an actuarial method as from financial year 2000.

Under IFRS, claims costs are recognized when insured events occur taking into account both reported cases and IBNR.

Marketable Securities

Under Accounting Practices Adopted in Brazil, 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 recognize the concept of comprehensive income.

Also, as under Accounting Practices Adopted in Brazil, 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: (a) fair value gains (losses) on lands and buildings, intangible assets, available-for-sale investments and certain financial instruments, (b) foreign exchange translation differences, (c) the cumulative effect of a change in accounting policy, (d) change in fair value on certain financial instruments if designated as cash flow hedges, and (e) actuarial gains and losses on defined benefit plans recognized directly in equity.

Financial Derivative Instruments

Under Accounting Practices Adopted in Brazil, 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 by accounting practices established by the Central Bank for all financial institutions. According to the accounting principles established by the Central Bank, 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 global 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 Accounting Practices Adopted in Brazil 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.

Software for Internal Use

Under Accounting Practices Adopted in Brazil and IFRS, "intangible assets", including software, require a classification of the costs associated with their creation due to a research phase and due to a development phase. Costs in the research phase must always be expensed. Costs in the development phase are expensed unless the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset;
- the intention to complete the intangible asset;
- the ability to use or sell it;
- how the intangible asset will generate future economic benefits – the entity must demonstrate the existence of a market or, if for internal use, the usefulness of the intangible asset;
- the availability of adequate resources to complete the development; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs initially recognized as an expense cannot be capitalized in a subsequent period.

Prior Period Adjustment—Correction of Errors

Under Accounting Practices Adopted in Brazil, prior period adjustments encompass corrections of errors in previously issued financial statements and the effects of changes in accounting principles. From 2007 onwards, with early application allowed, Accounting Practices Adopted in Brazil requires restatement of previous financial statements to provide consistency in reporting, which is consistent with IAS 8.

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 Accounting Practices Adopted in Brazil, 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 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.

Extraordinary Items

Under Accounting Practices Adopted in Brazil, the presentation of extraordinary items is prohibited. Their presentation should follow their nature and, if necessary for a better understanding of the results of the operations, disclosed as a separate line item.

Under IFRS, the presentation of extraordinary items is prohibited.

Income Taxes

Under Accounting Practices Adopted in Brazil, 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 tax rate of income taxes. Net operating loss carry forwards arising from tax losses that 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.

Employee Pension Costs and Other Post-employment Benefits

Under Accounting Practices Adopted in Brazil, employee pension costs and other benefits were expensed as they fall due until the issuance of the IBRACON statement (NPC 26). As from the fiscal years beginning in or after December 31, 2002, with prior application encouraged, NPC 26 approved by the CVM should be applied by sponsors of plans that are public companies to account for employee benefits including pension costs and other post-employment benefits. Under the new standard an actuarial method is used for determining defined benefit pension costs and other post-employment benefits and provides for the deferral of actuarial gains and losses (in excess of a specific corridor). Defined contribution pension plans and other post employment benefits require the recognition as an expense of contributions when they fall due. If the new standard was implemented up to December 31, 2001 the impact on adoption may be recognized against retained earnings; if the standard is implemented after December 31, 2001 such impact should be recognized in net income over five years or over the estimated remaining life if it is shorter. Specific disclosures are required in financial statements for the year ended December 31, 2001 including the funded/unfunded status of the plan.

Under IFRS employee pension costs are recognized in accordance with IAS 19 "Employee Benefits".

The Standard (IAS 19) identifies four categories of employee benefits:

(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;

When an employee has rendered service to an entity during an accounting period, the entity shall recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(i) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(ii) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset (see, for example, IAS 2 Inventories and IAS 16 Property, Plant and Equipment).

(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

When an employee has rendered service to an entity during a period, the entity shall recognize the contribution payable to a defined contribution plan in exchange for that service:

(i) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the balance sheet date, an entity shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(ii) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset (see, for example, IAS 2 Inventories and IAS 16 Property, Plant and Equipment).

(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are payable twelve months or more after the end of the period, profit-sharing, bonuses and deferred compensation; The amount to be recognized as a liability for other long-term employee benefits shall be the net of the present value of the defined benefit obligation minus the fair value of the plan assets out of which the obligation are to be settled directly.

(d) termination benefits are recognized when as a liability and as an expense when, and only when, the entity demonstrates to be committed to (i) terminate the employment of an employee or group before the normal retirement and (ii) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Treasury Stocks

Under Accounting Practices Adopted in Brazil, 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.

Related Parties

Brazilian standards define related parties in a more limited manner and, therefore, may, in practice, include fewer disclosures than IFRS standards. As a result, many of the disclosures required under U.S. GAAP and IFRS are not required under Accounting Practices Adopted in Brazil.

Earnings Per Share

Under Accounting Practices Adopted in Brazil, 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, Accounting Practices Adopted in Brazil 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.

Segment Information

Under Accounting Practices Adopted in Brazil, there is no requirement for financial reporting of operating segments.

IFRS requires public entities to report primary and secondary segments, business and geographic regions, based on risks and returns and internal reporting structure. The information must be prepared according to group accounting policies.

All entities with listed equity or debt securities or that are in the process of obtaining a listing are required to disclose segment information. A two-tier approach to segment reporting is required, and an entity should determine its primary and secondary segment reporting formats (*i.e.*, business or geographical, but not a mixture) based on the dominant source of the entity’s business risks and returns.

Reportable segments are determined by identifying separate profiles of risks and returns and then using a threshold test. The majority of the segment revenue must account for 10% or more of either total revenue, total profit or loss, or total assets. Additional segments must be reported (even if they do not meet the threshold test) until at least 75% of consolidated revenue is included in reportable segments.

The disclosures concentrate mainly on the segments in the primary reporting format, with only limited information being presented on the secondary segment. Disclosures for reportable segments in the primary reporting format include, by segment: revenue, result, assets, liabilities, capital expenditure, depreciation and amortization, the total amount of significant non-cash expenses and impairment losses. Disclosures for reportable segments in the secondary segment include segment revenue, assets and capital expenditure. Segment result is not required to be shown for secondary segments.

Reconciliation should be provided between the information disclosed for reportable segments and the totals shown in the financial statements.

Statement of Cash Flows

Under Accounting Practices Adopted in Brazil, the definition of cash and cash equivalents may be broader than under IFRS and, accordingly, classifications in the cash flow statement may be different.

Cash and Cash Equivalent

Under Accounting Practices Adopted in Brazil, cash equivalents are defined in broader terms than in the context of IFRS , with no limitation of 90 days/three month original maturity. Cash equivalents in Brazil are usually readily available funds which involves cash and overnight applications and may include long term securities which can be negotiated in the secondary market.

Under IFRS, cash equivalents are defined as short term (less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Generally, only investments with original maturities of three months or less qualify under that definition held for the purposes of meeting short-term cash commitments rather than for investment or other purposes.

OTHER STATISTICAL AND FINANCIAL INFORMATION

The following section supplements “Other Statistical and Financial Information” beginning on page B-31 of the Base Prospectus.

The following information is included for analytical purposes and is derived from, and should be read together with, our audited consolidated financial statements as of and for the year ended December 31, 2009, 2008 and 2007, which are incorporated by reference in this Base Prospectus Supplement, as well as with “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation”. Such financial statements have been prepared in accordance with the Accounting Practices Adopted in Brazil, which differ in certain significant respects from U.S. GAAP and IFRS. See “Differences Among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS”.

Data related to the average balance of our interest-earning assets, interest-bearing liabilities and other assets and liabilities have been calculated based upon the average of the month-end balances during the relevant period. Likewise, information related to the interest income and expenses generated from our assets and liabilities and the average return rate for each of the periods indicated have been calculated based on income and expenses for the period, divided by the average balances calculated as indicated above.

Average Balance Sheet and Interest Rate Data

The following tables show the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related interest income and expense amounts and the average actual yield/rate for the periods presented.

The interest accrued on typical Brazilian financial assets and liabilities comprise both nominal interest rates and any monetary correction. Any such monetary correction may be the result of changing to an inflation index, changes to foreign exchange rates (usually against the U.S. dollar) or changing to other floating interest rates. The nominal interest rate and monetary correction accrue at the end of each month to the principal balance of each operation. The updated value then becomes the new basis for the accrual of the following month’s nominal interest rate and monetary correction.

In this section, we refer to each of interest income and interest expense plus other amounts such as effect of valuation to fair value of securities and derivative financial instruments and foreign exchange gains and losses on interest-earnings assets and interest-bearing liabilities and the average actual yield/rate as financial income and financial expense, respectively, and collectively as financial income and expense.

Consolidated Average Balance Sheet and Interest Rate Data

The following tables show the consolidated average balance sheet and interest rate data as of the dates presented:

	As of December 31,					
	2009			2008		
Assets	Average Balance	Financial Income	Average Yield/ Rate (%)	Average Balance	Financial Income	Average Yield/ Rate (%)
	<i>(R\$ in millions, except percentages)</i>					
Assets						
Interest earning assets:						
Interbank investments.....	94,102	9,105	9.7	57,341	7,236	12.6
Securities and derivative financial instruments.....	133,899	16,534	12.3	110,259	12,948	11.7
Loans, leasing operations and sale or transfer of financial assets.....	164,911	36,699	22.3	144,626	35,900	24.8
Compulsory deposit.....	7,830	561	7.2	16,405	1,527	9.3
Total interest-earning assets.....	400,742	62,899	15.7	328,631	57,611	17.5

Non-interest-earning assets:

	As of December 31,					
	2009			2008		
	Average Balance	Financial Income	Average Yield/ Rate (%)	Average Balance	Financial Income	Average Yield/ Rate (%)
Assets						
	<i>(R\$ in millions, except percentages)</i>					
Tax credits	15,336	—	—	10,425	—	—
Allowance for loan losses.....	(12,875)	—	—	(8,561)	—	—
Permanent assets.....	8,441	—	—	4,422	—	—
Other assets.....	70,543	—	—	60,500	—	—
Total non-interest-earning assets.....	81,445	—	—	66,786	—	—
Total assets.....	482,187	62,899	13.0	395,417	57,611	14.6

	As of December 31,					
	2009			2008		
	Average Balance	Financial Income	Average Yield/ Rate (%)	Average Balance	Financial Income	Average Yield/ Rate (%)
Liabilities						
	<i>(R\$ in millions, except percentages)</i>					
Interest-bearing liabilities:						
Savings deposits	39,349	2,519	6.4	34,535	2,507	7.3
Interbank deposits.....	594	63	10.6	404	80	19.8
Time deposits.....	120,015	10,869	9.1	79,317	9,009	11.4
Federal funds purchased and securities sold under agreements to repurchase	97,644	9,584	9.8	79,356	9,945	12.5
Technical provisions for insurance, private pension plans.....	69,161	5,129	7.4	61,452	4,008	6.5
Issuance of securities	5,641	425	7.5	5,752	1,226	21.3
Borrowings and onlendings.....	29,062	999	3.4	27,166	7,180	26.4
Total interest-bearing liabilities.....	361,466	29,588	8.2	287,982	33,955	11.8
Non-interest-bearing liabilities:						
Demand deposits	27,227	—	—	25,403	—	—
Other liabilities	55,652	—	—	48,585	—	—
Total non-interest-bearing liabilities.....	82,879	—	—	73,988	—	—
Total liabilities.....	444,345	29,588	6.7	361,970	33,955	9.4
Shareholders' equity.....	37,475	—	—	33,181	—	—
Minority interest in subsidiaries.....	367	—	—	266	—	—
Total liabilities and shareholders' equity.....	482,187	29,588	6.1	395,417	33,955	8.6

Changes in Financial Income and Expenses—Volume and Rate Analysis

The following tables show the changes in our financial income and expense due to changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in the average interest rate on these assets and liabilities for the year ended December 31, 2009 compared to the year ended December 31, 2008. Volume and interest rate variations have been calculated based on changes of our average balances over the period and changes in average interest rates on our interest-earning assets and interest-bearing liabilities. The variations in the volumes arising from changes in the interest rate was calculated by multiplying the variation of interest rates in the period by the average interest-earning assets and interest-bearing liabilities in the same period.

As of December 31, 2009/2008

	Increase (Decrease) Due to Changes in:		
	Average Volume	Average Yield/Rate	Net Change
	<i>(R\$ in millions)</i>		
Interest-earning assets:			
Interbank investments	3,846	(1,977)	1,869
Securities and derivative financial instruments under agreements to resell	2,891	695	3,586
Loans and leasing operations	4,735	(3,936)	799
Compulsory deposit	(671)	(295)	(966)
Total interest-earning assets	10,801	(5,513)	5,288
Interest-bearing liabilities:			
Savings deposits	327	(315)	12
Interbank deposits under agreements to resell	29	(46)	(17)
Time deposits	3,951	(2,091)	1,860
Federal funds purchased and securities sold under agreements to repurchase	2,036	(2,397)	(361)
Technical provisions for insurance, private pension plans	536	585	1,121
Issuance of securities	(23)	(778)	(801)
Borrowings and onlendings	469	(6,650)	(6,181)
Total interest-bearing liabilities	7,325	(11,692)	(4,367)

Net Financial Margin and Spread

The following table sets forth our average interest-earning assets, average interest-bearing liabilities, net financial income, as well as a comparison between net interest margin and net interest spread for the periods indicated:

	For the Year Ended December 31,	
	2009	2008
	<i>(R\$ in millions, except percentages)</i>	
Average balance of interest-earning assets	400,742	328,631
Average balance of interest-bearing liabilities	361,466	287,982
Net financial income ⁽¹⁾	33,311	23,656
Financial income from interest-earning assets	62,899	57,611
Financial expenses from interest-bearing liabilities	(29,588)	(33,955)
Yield/rate on the average balance of interest-earning assets	15.7%	17.5%
Average yield/rate on the average balance of interest-bearing liabilities	8.2%	11.8%
Net yield/rate on interest-earning assets ⁽²⁾	7.5%	5.7%
Net financial margin ⁽³⁾	8.3%	7.2%

(1) Total financial income less total financial expenses.

(2) Difference between the yield on the rates of the average interest-earning assets and the rate of the average interest-bearing liabilities.

(3) Net financial income divided by average interest-earning assets.

The following table shows selected consolidated financial data relating to our net income, total assets and shareholders' equity for the periods indicated:

	For the Year Ended December 31,	
	2009	2008
Net income	8,012	7,620
Average total assets	482,187	395,417
Average shareholders' equity	37,475	33,181
Net income as a percentage of average total assets	1.7%	1.9%
Net income as a percentage of average shareholders' equity	21.4%	23.0%
Average shareholders' equity as a percentage of average total assets	7.8%	8.4%
Dividends payout ratio (dividends/net income)	31.5%	33.1%

Securities Portfolio

The following table shows our portfolio of trading securities, securities available for sale and held-to-maturity securities as of the dates presented, both in Brazil and abroad. Trading securities and securities available for sale are

stated at market value and held-to-maturity securities have been valued at amortized cost. See the notes to our audited consolidated financial statements as of and for the year ended December 31, 2009 and 2008 incorporated by reference in this Base Prospectus for a description of the accounting policies applied to account for our securities portfolio and for additional information on the portfolio as of those dates.

	As of December 31,			
	2009		2008	
	R\$ (in millions)	%	R\$ (in millions)	%
Trading Securities				
In Brazil	98,414	99.8	94,877	98.0
National treasury bills	2,424	2.5	6,332	6.5
Financial treasury bills	13,405	13.6	7,561	7.8
Bank deposit certificates	914	0.9	1,788	1.8
Derivative financial instruments	1,359	1.4	2,364	2.4
Debentures	7,327	7.4	5,133	5.3
Promissory notes	2,048	2.1	4,439	4.6
National treasury notes	7,130	7.2	18,957	19.6
Shares	101	0.1	501	0.5
PGBL / VGBL restricted bonds	29,455	29.9	27,981	28.9
Purchase and sale commitments	27,884	28.3	16,397	16.9
Other	6,367	6.4	3,424	3.7
Abroad	183	0.2	1,904	2.0
Foreign corporate securities	66	0.1	105	0.1
Foreign government securities	82	0.1	1,756	1.9
Brazilian foreign debt securities	35	-	43	-
Total of trading securities	98,597	100.00	96,781	100.0
Trading securities as a percentage of total portfolio		67.2		73.5
Securities available for sale				
In Brazil	17,870	80.9	6,628	61.4
National treasury bills	1,912	8.7	79	0.7
National treasury notes	8,594	38.9	16	0.1
Financial treasury bills	956	4.3	395	3.7
Bank deposit certificates	184	0.8	245	2.3
Debentures	1,034	4.7	1,408	13.0
Shares	3,194	14.5	476	4.4
Privatization currencies	94	0.4	2,863	26.5
Other	1,902	8.6	100	0.9
Abroad	4,214	19.1	4,168	38.6
Foreign corporate securities	2,162	9.8	1,795	16.6
Foreign government securities	130	0.6	-	-
Brazilian foreign debt securities	1,922	8.7	2,373	22.0
Total securities available for sale	22,084	100.0	10,796	100.0
Available for sale securities as a percentage of total portfolio		15.1		8.2
Securities held to maturity				
In Brazil	25,082	96.7	22,873	95.2
Financial treasury bills	14	0.1	13	0.1
National treasury notes	24,396	94.0	22,165	92.2
Debentures	672	2.6	695	2.9
Abroad	856	3.3	1,148	4.8
Brazilian foreign debt securities	856	3.3	1,148	4.8
Total securities held to maturity	25,938	100	24,021	100.0
Held to maturity securities as a percentage of total portfolio		17.7		18.3
Overall total	146,619	100.0	131,598	100.0

The following table shows our portfolio of trading securities, securities available for sale and held-to-maturity securities at amortized cost and market value, and the mark-to-market variation, as of December 31, 2009:

As of December 31, 2009			
	Market Value/Book Value	Amortized Cost	Unrealized Gain (Loss)
	<i>(R\$ in millions)</i>		
Trading Securities			
In Brazil	98,414	98,059	355
National treasury bills	2,424	2,425	(1)
Financial treasury bills	13,405	13,411	(6)
Bank deposit certificates	914	914	-
Derivative financial instruments	1,359	1,241	118
Debentures	7,327	7,191	136
Promissory notes	2,048	2,048	-
National treasury notes	7,130	7,019	111
Shares	101	101	-
PGBL / VGBL restricted bonds	29,455	29,455	-
Purchase and sale commitments	27,884	27,884	-
Other	6,367	6,370	(3)
Abroad	183	178	5
Foreign corporate securities	66	63	3
Foreign government securities	82	83	(1)
Brazilian foreign debt securities	35	32	3
Total trading securities	98,597	98,237	360
Securities available for sale			
In Brazil	17,870	17,893	127
National treasury bills	1,912	1,920	(8)
National treasury notes	8,594	8,675	(81)
Financial treasury bills	956	956	-
Bank deposit certificates	184	184	-
Debentures	1,034	1,030	4
Shares	3,194	3,078	116
Privatization currencies	94	79	15
Derivative financial instruments	-	-	150
Other	1,902	1,971	(69)
Abroad	4,214	3,749	465
Foreign corporate securities	2,162	2,088	74
Foreign government securities	130	133	(3)
Brazilian foreign debt securities	1,922	1,528	394
Total securities available for sale	22,084	21,642	592
In Brazil	25,082	25,082	-
Financial treasury bills	14	14	-
National treasury notes	24,396	24,396	-
Debentures	672	672	-
Abroad	856	856	-
Brazilian foreign debt securities	856	856	-
Total securities held to maturity	25,938	25,938	-
Overall total	146,619	145,817	952

Maturity Distribution

The following tables show information relating to the maturities of our securities portfolio by type:

As of December 31, 2009					
	No Stated Maturity	Due in 1 Year or Less	Due after 1 Year to 5 Years	Due after 5 Years to 10 Years	Due after 10 Years
	<i>(R\$ in millions)</i>				
Maturity in years					
By type					
Trading securities (market value)	101	54,991	36,078	7,237	190
Securities available for sale (market value)	3,194	1,923	11,437	3,808	1,722
Securities held to maturity (amortized cost)	-	265	2,454	5,721	17,498
Total	3,295	57,179	49,969	16,766	19,410

Central Bank Compulsory Deposits

We are required to either maintain certain deposits with the Central Bank or to purchase and hold federal government securities as compulsory deposits. The following tables show the amounts of these deposits as of the dates presented:

	As of December 31,			
	2009		2008	
	R\$	%	R\$	%
	<i>(R\$ in millions, except percentages)</i>			
Demand deposits	8,962	50.0	5,662	42.9
Saving account deposits	8,962	50.0	7,539	57.1
Total	17,924	100.0	13,201	100.0

Loan Operations

The following table shows our credit portfolio by type of transaction for each of the periods indicated. Substantially all of our loans were granted to borrowers domiciled in Brazil and are denominated in *reais*. In addition, the majority of our loan portfolio is indexed to Brazilian interest rates:

	As of December 31,	
	2009	2008
	<i>(R\$ in millions)</i>	
Discounted trade receivables and loans ⁽¹⁾	86,808	77,541
Financing	52,730	51,702
Agricultural and agribusiness financing	11,968	10,720
Subtotal	151,506	139,963
Leasing operations	21,468	20,537
Advances on foreign exchange contracts ⁽²⁾	5,603	9,846
Subtotal	178,577	170,346
Other receivables ⁽³⁾	12,412	9,609
Total loan operations	190,989	179,955

(1) Includes financing of credit card operations and operations for prepaid credit card receivables in the amount of R\$10.8 billion as of December 31, 2009 and R\$8.4 billion as of December 31, 2008.

(2) Advances on foreign exchange contracts are recorded as a reduction of the item "Other Liabilities".

(3) The item "Other Receivables" comprises receivables on sureties and guarantees honored, receivables on purchase of assets, securities and credit instruments receivable, income receivable on foreign exchange contracts, receivables arising from export contracts and receivables relating to credit cards (cash and credit purchases from storeowners) in the amount of R\$9.8 billion as of December 31, 2009 and R\$6.5 billion as of December 31, 2008.

By Economic Activity Sector

The following tables show the composition of our credit portfolio, including non-performing loans, by economic activity of the borrower and the percentage that each one represents in relation to its total credit portfolio at the dates presented:

	As of December 31,			
	2009	%	2008	%
	<i>(R\$ in millions, except percentages)</i>			
Public Sector	1,621	0.8	941	0.6
Federal Government	1,156	0.6	466	0.3
Petrochemical	1,109	0.6	364	0.2
Financial intermediary	47	-	102	0.1
State Government	465	0.2	475	0.3
Production and distribution of electric power	465	0.2	475	0.3
Private sector	189,368	99.2	179,014	99.4
Manufacturing	40,553	21.2	44,260	24.5
Food and beverage	11,803	6.2	12,170	6.7
Steel, metallurgy and mechanics	6,274	3.3	6,182	3.4
Chemical	4,619	2.4	5,769	3.2
Textiles and clothing	2,143	1.1	2,096	1.2
Light and heavy vehicles	2,474	1.3	2,513	1.4
Pulp and paper	2,274	1.2	3,136	1.7
Extraction of metallic and non-metallic ores	1,662	0.9	1,912	1.1

	As of December 31,			
	2009	%	2008	%
	<i>(R\$ in millions, except percentages)</i>			
Rubber and plastic articles	1,636	0.8	1,915	1.1
Leather articles	758	0.4	1,661	0.9
Electric and electronic products.....	1,401	0.7	1,356	0.8
Furniture and wood products	870	0.5	978	0.5
Automotive parts and accessories.....	1,060	0.5	1,022	0.6
Oil refining and production of alcohol	980	0.5	1,487	0.8
Non-metallic materials.....	884	0.5	695	0.4
Publishing, printing and reproduction	561	0.3	609	0.3
Other industries	1,154	0.6	759	0.4
Commerce.....	26,105	13.7	23,547	13.2
Products in specialty stores.....	6,874	3.6	6,011	3.3
Food products, beverage and tobacco.....	3,461	1.8	3,388	1.9
Grooming and household articles	1,840	1.0	1,809	1.0
Non-specialized retailer	1,815	1.0	1,741	1.0
Self-propelled vehicles.....	2,379	1.2	1,895	1.1
Clothing and footwear.....	1,693	0.9	1,383	0.8
Repair, parts and accessories for self-propelled vehicles	1,584	0.8	1,418	0.8
Residues and scrap	1,237	0.6	1,246	0.7
Wholesale of goods in general.....	1,606	0.8	1,112	0.6
Fuel.....	1,147	0.6	994	0.6
Agricultural products	725	0.4	738	0.4
Trade intermediary	1,060	0.6	1,138	0.6
Other commerce	684	0.4	674	0.4
Financial intermediaries	828	0.5	1,236	0.7
Services	38,521	20.1	35,122	19.5
Transport and storage.....	9,414	4.9	9,105	5.0
Civil construction.....	8,751	4.6	7,226	4.0
Real estate activities, rentals and corporate services.....	6,361	3.3	5,563	3.1
Production and distribution of electric power, gas and water.....	3,016	1.6	2,296	1.3
Social services, education, health, defense and social security.....	1,881	1.0	1,817	1.0
Telecommunications	623	0.3	814	0.5
Holding companies, legal, accounting and business advisory services.....	545	0.3	889	0.5
Clubs, leisure, cultural and sports activities	892	0.5	905	0.5
Hotel and catering	1,409	0.7	1,122	0.6
Other services	5,629	2.9	5,385	3.0
Agribusiness, fishing, forestry development and management	2,439	1.3	2,246	1.2
Individuals.....	80,922	42.4	72,603	40.3
Total.....	190,989	100.0	179,955	100.0

Breakdown of loan operations and allowance for loan losses

The following table shows a breakdown of the rating of our credit transactions by risk levels for the periods indicated and the percentage that each one represents in relation to its total loan portfolio, where “AA” represents the lowest credit risk and “H” represents the highest credit risk (in accordance with applicable regulations issued by the Central Bank) as of December 31, 2009:

Risk Level	Non-Performing Loans					Total	%
	Past Due	Falling Due	Total of Non-Performing Loans		Performing Loans		
			Loans				
AA	—	—	—	30,669	30,669	16.1	
A	—	—	—	86,155	86,155	45.1	
B	312	1,665	1,977	18,041	20,018	10.5	
C	593	2,149	2,742	33,782	36,524	19.1	
Subtotal.....	905	3,814	4,719	168,647	173,366	90.8	
D	538	1,260	1,798	1,980	3,778	2.0	

Risk Level	Non-Performing Loans		Total of Non-Performing Loans	Performing Loans	Total	%
	Past Due	Falling Due	<i>(R\$ in millions, except percentages)</i>			
E.....	516	857	1,373	543	1,916	1.0
F.....	512	771	1,283	508	1,791	0.9
G.....	437	542	979	361	1,340	0.7
H.....	3,950	2,916	6,866	1,932	8,798	4.6
Subtotal.....	5,953	6,346	12,299	5,324	17,623	9.2
Total as of December 31, 2009.....	6,858	10,160	17,018	173,971	190,989	100.0
%.....	3.6	5.3	8.9	91.1	100.0	

The following table shows the balance of our allowance for loan losses as of December 31, 2009, broken down by risk level:

Risk Level	% Minimum Required Provision	Minimum Requirement Specific				Total	Additional	Existing	As of December 31, 2009 ⁽¹⁾
		Past Due	Falling Due	Total Specific	Generic				
<i>(R\$ in millions, except percentages)</i>									
AA.....	0.0	—	—	—	—	—	—	—	—
A.....	0.5	—	—	—	431	431	116	547	0.6
B.....	1.0	3	17	20	180	200	12	212	1.1
C.....	3.0	18	64	82	1,013	1,095	1,237	2,332	6.4
Subtotal.....		21	81	102	1,624	1,726	1,365	3,091	1.8
D.....	10.0	54	126	180	198	378	618	996	26.4
E.....	30.0	155	257	412	163	575	348	923	48.2
F.....	50.0	256	386	642	254	896	307	1,203	67.1
G.....	70.0	305	379	684	253	937	365	1,302	97.2
H.....	100.0	3,950	2,916	6,866	1,932	8,798	-	8,798	100.0
Subtotal.....		4,720	4,064	8,784	2,800	11,584	1,638	13,222	75.0
Total as of December 31, 2009..		4,741	4,145	8,886	4,424	13,310	3,003	16,313	8.5
%.....		29.1	25.4	54.5	27.1	81.6	18.4	100.0	

(1) Ratio between existing allowance for loan losses and loan portfolio by risk level.

Movement of allowance for loan losses

The following table shows the movement of allowance for loan losses at each of the dates presented:

	As of December 31,	
	2009	2008
<i>(R\$ in millions)</i>		
Opening balance.....	10,263	7,826
Amount recorded.....	12,937	7,884
Amount written-off.....	(7,917)	(5,447)
Balance derived from acquired institutions ⁽¹⁾	1,030	-
Closing balance.....	16,313	10,263

(1) Represented by ibi in 2009

Recovery and renegotiation

The following table shows our expenses from allowances for loan losses, net of recoveries of written-off credits, as of the dates presented:

	As of December 31,	
	2009	2008
	<i>(R\$ in millions)</i>	
Amount recorded.....	12,937	7,884
Amount recovered ⁽¹⁾	(1,695)	(1,242)
Expense net of recoveries.....	11,242	6,642

(1) Classified in income from loan operations.

Movement of our renegotiated portfolio

The following table shows the movement of our renegotiated portfolio as of the dates presented:

	As of December 31,	
	2009	2008
	<i>(R\$ in millions, except percentages)</i>	
Opening balance.....	3,089	2,683
Amount renegotiated.....	4,939	2,844
Amount received.....	(1,269)	(1,611)
Amount written-off.....	(1,213)	(827)
Closing balance.....	5,546	3,089
Allowance for loan losses.....	3,420	1,987
Percentage on portfolio.....	61.7%	64.3%

The following table shows a breakdown of our income from loan and leasing operations as of the dates presented:

	As of December 31,	
	2009	2008
	<i>(R\$ in millions)</i>	
Discounted trade receivables and other loans.....	21,085	18,794
Financings.....	7,679	8,813
Agricultural and agribusiness financing.....	846	1,014
Subtotal.....	29,610	28,621
Recovery of credits written-off as loss.....	1,695	1,241
Subtotal.....	31,305	29,862
Leasing, net of expenses.....	3,448	2,393
Total.....	34,753	32,255

Deposits, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase and Funds From Issuance of Securities

The following table shows the deposits, federal funds purchased and securities sold under agreements to repurchase and funds from the issuance of securities as of the dates presented:

	As of December 31,			
	2009	%	2008	%
	<i>(R\$ in millions, except percentages)</i>			
Deposits.....	171,073	50.0	164,494	53.9
Demand deposits.....	34,627	10.1	27,610	9.0
Savings deposits.....	44,162	13.0	37,769	12.5
Time deposits.....	90,496	26.4	97,414	31.9
Interbank deposits.....	752	0.2	698	0.2
Other investment deposits.....	1,036	0.3	1,003	0.3

	As of December 31,			
	2009	%	2008	%
	<i>(R\$ in millions, except percentages)</i>			
Open market operations	171,188	50.0	140,625	46.1
Own portfolio	42,757	12.5	38,219	12.5
Third-party portfolio	68,417	20.0	39,360	12.8
Unrestricted portfolio	2,099	0.6	2,399	0.8
Funds from issuance of securities	7,483	2.2	9,012	3.0
Borrowings	8,005	2.3	14,205	4.7
Onlendings	19,323	5.6	17,743	5.8
Subordinated debt	23,104	6.8	19,687	6.5
Total	342,261	100.0	305,119	100.0

Maturity of deposits and open market operations

The following table shows the maturity of deposits and open market operations as of the dates presented:

	2009				2008	
	Up to 30 Days	31 to 180 Days	181 to 360 Days	Over 360 Days	As of December 31	As of December 31
	<i>(R\$ in millions)</i>					
Deposits	83,561	9,373	11,547	66,592	171,073	164,494
Demand deposits	34,627	-	-	-	34,627	27,610
Savings deposits	44,162	-	-	-	44,162	37,769
Time deposits	3,230	9,251	11,434	66,581	90,496	97,414
Interbank deposits	506	122	113	11	752	698
Other investment deposits	1,036	-	-	-	1,036	1,003
Open market operations	77,362	11,078	16,044	66,704	171,188	140,625
Own portfolio	4,409	3,063	8,602	26,683	42,757	38,219
Third-party portfolio	68,417	-	-	-	68,417	39,360
Unrestricted portfolio	1,723	333	43	-	2,099	2,399
Funds from issuance of securities	402	898	2,068	4,115	7,483	9,012
Borrowings	1,263	3,995	2,425	322	8,005	14,205
Onlendings	1,068	2,617	2,838	12,800	19,323	17,743
Subordinated debt	80	172	68	22,784	23,104	19,687
Total at December 31, 2009	160,923	20,451	27,591	133,296	342,261	
%	47.0	6.0	8.1	38.9	100.0	
Total at December 31, 2008	120,438	20,633	22,058	141,990		305,119
%	39.5	6.8	7.2	46.5	—	100.0

Minimum Capital Requirements

The following table shows the Referential Equity Value used for calculation of capital to risk-weighted assets, minimum capital required by the Brazilian banking regulations, the capital to risk-weighted assets ratio, and the excess of our regulatory capital as compared to the minimum required on a full consolidation basis as of the dates presented:

	As of December 31,	
	2009	2008
	Economic Financial	
	<i>(R\$ in millions, except percentages)</i>	
Calculation Basis – Capital Adequacy Ratio (Basel)		
Shareholders' equity	41,754	34,257
Decrease in tax credits – CMN Res. 3,059	-	(143)
Decrease in deferred assets – CMN Res. 3,444	(354)	(381)
Decrease in gains/losses of adjustments to market value in AFS and derivatives – CMN Res. 3,444	1,328	2,347
Additional provision to the minimum required by CMN Resolution 2,682	3,003	1,621
Minority interest/other	798	321
Reference shareholders' equity – Tier I	46,529	38,022
Gains/losses sum of adjustments to market value in AFS and derivatives – CMN Resolution 3,444	(1,328)	(2,347)

	As of December 31,	
	2009	2008
	Economic	Financial
	<i>(R\$ in millions, except percentages)</i>	
Subordinated debt/other.....	10,951	11,893
Reference shareholders' equity – Tier II	9,622	9,546
Total reference shareholders' equity (Tier I + Tier II)	56,151	47,568
Deduction of instruments for funding - CMN Resolution 3,444.....	(224)	(305)
Reference shareholders' equity (PR)	55,928	47,263
Risk-weighted assets	313,719	293,797
Capital adequacy ratio	17.8%	16.1%

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

The following section replaces "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page B-44 of the Base Prospectus.

The following discussion is based on and should be read in conjunction with our audited consolidated financial statements, including the notes thereto, for the years ended December 31, 2009, 2008 and 2007, respectively, which are incorporated by reference into the Base Prospectus, as well as with "Presentation of Financial and Other Information" and "Other Statistical and Financial Information". Such financial statements were prepared in accordance with the Accounting Practices Adopted in Brazil, which differ in certain significant respects from U.S. GAAP and IFRS. See "Differences Among Accounting Practices Adopted in Brazil, U.S. GAAP and IFRS".

Certain Factors Affecting Our Financial Performance

Brazilian Economic Conditions

Our results of operations are directly affected by economic conditions in Brazil. Economic conditions directly impact our customers' ability to pay their financial obligations on time, which affects our provisioning for loan losses and our balance of outstanding loans. In addition, the impact of economic conditions on exchange rates affects our net interest income, since part of our financial assets and liabilities are denominated in or indexed to foreign currencies, primarily U.S. dollars.

In 2007, the Brazilian economy continued to grow, with GDP increasing by 6.1% over the same period in 2006. The *real* appreciated to R\$1.7713 per U.S. dollar as of December 31, 2007 compared to R\$2.1380 as of December 31, 2006. During 2007, the COPOM decreased the base interest rate from 13.25% as of December 31, 2006 to 11.25% as of December 31, 2007. Inflation, as measured by IGP-DI, was 7.9% for 2007.

In 2008, GDP grew by 5.1% compared with the same period in 2007. However, GDP declined 3.7% in the fourth quarter of 2008 compared to the third quarter of 2008 mainly as a result of the international financial crisis. The *real* depreciated to R\$2.337 per U.S. dollar as of December 31, 2008 compared to R\$1.7713 as of December 31, 2007. For the year ended December 31, 2008, the COPOM increased the base interest rate from 11.25% as of December 31, 2007 to 13.75% as of December 31, 2008. Inflation, as measured by IGP-DI, was 9.10% for the year ended December 31, 2008.

In 2009, the *real* appreciated to R\$1.7412 per U.S. dollar as of December 31, 2009 compared to R\$2.337 as of December 31, 2008. For the year ended December 31, 2009, the base interest rate decreased from 13.8% as of December 31, 2008 to 8.8% as of December 31, 2009. Inflation, as measured by IGP-DI, was -1.43% for the year ended December 31, 2009. As of March 12, 2010, the *real*/U.S. dollar exchange rate was R\$1.7637 per U.S. dollar.

The following table shows Brazilian inflation as measured by the IGP-DI, the variation of the value of the *real* against the U.S. dollar and the period-end exchange rates and average exchange rates for the periods indicated:

	As of December 31,		
	2009	2008	2007
	<i>(R\$, except percentages)</i>		
Inflation (IGP-DI)	(1.43)%	9.1%	7.9%
Variation of the <i>real</i> vs. U.S. dollar	25.5%	(31.9)%	17.2%
Period-end exchange rate — U.S.\$1.00	1.7412	2.3370	1.7713
Average exchange rate — U.S.\$1.00 ⁽¹⁾	2.0171	1.8287	1.9460

(1) The average exchange rate is the sum of the closing exchange rates at the end of each month in the period divided by the number of months in the period.
Sources: FGV and the Central Bank

The following table shows the change in real GDP and average interbank and base interest rates for the periods indicated:

	As of December 31,		
	2009	2008	2007
Change in real GDP ⁽¹⁾	(0.2)%	5.1%	6.1%
Average base interest rates ⁽²⁾	9.9%	12.5%	11.9%
Average interbank interest rates ⁽³⁾	9.8%	12.4%	11.8%

(1) Calculated by dividing the real GDP of a period by the real GDP of the same period in the previous year.

(2) Calculated in accordance with Central Bank methodology (based on nominal rates).

(3) Calculated in accordance with CETIP S.A. - Balcão Organizado de Ativos e Derivativos (CETIP)'s methodology (based on nominal rates).

Sources: The Central Bank, Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografia e Estatística*) and CETIP.

The interbank interest rate has been relatively similar to the average base interest rate over the past three years, primarily due to the impact of the relatively high level of funds available in the Brazilian banking industry and increased competition among banks. These factors move the interbank interest rate toward the base interest rate as banks seek to use their funds available and to remain competitive with each other.

Effects of the Global Financial Markets Crisis on our Financial Condition and Results of Operations

The global financial markets crisis has significantly affected the world economy since mid-2008. The crisis has led to recessions and increasing unemployment in the world's leading economies, 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 observed in the capital markets worldwide.

A number of major financial institutions, including some of the largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, are experiencing significant difficulties. In recent months, there have been losses at several financial institutions and numerous institutions have sought additional capital. Central banks around the world have coordinated efforts to increase liquidity in the financial markets by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and significantly increasing temporary reciprocal currency arrangements. In an attempt to prevent the failure of the financial system, governments throughout the world have intervened on an unprecedented scale. They have taken equity stakes in several financial institutions, announced programs to guarantee financial institutions debt, increased consumer deposit guarantees and brokered acquisitions of struggling financial institutions, among other measures.

The effects of the global financial markets crisis hit Brazil intensively in the last quarter of 2008 and since then have been moderate, with signs of recovery since the second half of 2009. The quality of banking assets deteriorated at the end of 2008, but large Brazilian financial institutions were not significantly affected by the crisis. A number of smaller and mid-size banks suffered from a lack of credit availability, but the Brazilian financial system as a whole did not suffer the same impact as the U.S. and European financial systems. The relatively strong domestic demand for goods and services produced by firms and banks has helped to reduce the impact of the international crisis on the Brazilian market. Nonetheless, some export-oriented companies in the commodities and manufacturing sectors suffered decreases in revenues due to decreased demand in the international markets. Our results of operations were negatively affected by the global financial markets crisis and the change in the Brazilian economic scenario.

Effects of Interest Rates and Devaluation/Appreciation on Our Net Interest Income

The devaluation/appreciation of the *real* affects our net interest income because we have certain assets and liabilities denominated in, or indexed to, foreign currencies (primarily the U.S. dollar). As of December 31, 2009, the net balance of such assets and liabilities comprised 1.5% of our total assets. When the *real* devalues, as occurred in certain periods of 1998 through 2002 and in 2008, we incur losses from our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and foreign currency loans, as the cost in *reais* of the related interest expense increases. At the same time, we experience gains on our monetary assets denominated in or indexed to foreign currencies, such as our dollar-indexed trading securities and loans, as the interest income from such assets as measured in *reais* also increases because of the devaluation of the *real*.

Conversely, when the *real* appreciates against the U.S. dollar, as occurred in 2006, 2007 and 2009, we incur losses on our monetary assets denominated in or indexed to foreign currencies, such as our dollar-indexed securities and loans, as the interest income from such assets as measured in *reais* decreases because of the appreciation of the *real*. At the same time, we record gains on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and foreign currency loans, as the cost in *reais* of the related interest expenses decreases.

Nonetheless, since our liabilities denominated in or indexed to foreign currencies tend to exceed our monetary assets denominated in or indexed to foreign currencies, we are more likely to suffer losses during periods of significant devaluation of the *real*.

In addition, in periods of high interest rates, our interest income increases as interest rates on our interest-yielding assets increase. At the same time, our interest expense increases as interest rates on our interest-yielding liabilities also rise.

Conversely, in periods of low interest rates, our interest income decreases as interest rates on our interest-yielding assets are reduced. However, in a low interest environment we are able to attract new customers and increase the volume of our loan portfolio as the cost of credit is reduced for borrowers. At the same time, our interest expense decreases as interest rates on our interest-yielding liabilities also decrease.

Changes in volumes of interest-bearing assets and liabilities also produce changes in interest income and interest expense. For example, an increase in our interest income attributable to an increase in interest rates may be offset by a decrease in the volume of our outstanding loans during a period.

Effects of Macroeconomic Factors on Our Lending and Treasury Activities

Our credit portfolio was R\$191.0 billion, R\$180.0 billion and R\$131.3 billion as of December 31, 2009, 2008 and December 31, 2007, respectively. The increase was a result of the continued expansion of the Brazilian economy since mid-2004, driven by the recovery of the domestic market and the increase in exports and foreign trade, the decrease in inflation and the consequent improvements in domestic income and employment levels. In the past, we have found that increases in the number of individual clients in our loan portfolio have brought proportionately higher increases in our allowance for loan losses because individual clients tend to have higher default rates and because of Central Bank requirements on how we provision for loan losses to individuals. Our allowance for loan losses grew by 58.9% in 2009 due to the increase in the volume of our loan portfolio of 6.1% in the year ended December 31, 2009 as a result of the current weakening economic conditions in Brazil and worldwide.

The tables below indicate the minimum required provisions by the Central Bank and the actual provisions we make by each risk level classification at December 31, 2009, December 31, 2008 and December 31, 2007.

As of December 31, 2009, 2008 and 2007, our investments in securities and interbank investments totaled R\$257.4 billion, R\$205.8 billion and R\$152.1 billion, respectively.

As of December 31, 2009								
Provision								
Minimum Requirement								
Specific								
Risk Level	% Minimum Required Provision	Past Due	Falling Due	Total Specific ⁽¹⁾	Generic ⁽²⁾	Total	Additional ⁽³⁾	Existing
<i>(R\$ in millions, except percentages)</i>								
AA.....	0.0	—	—	—	—	—	—	—
A.....	0.5	—	—	—	431	431	116	547
B.....	1.0	3	17	20	180	200	12	212
C.....	3.0	18	64	82	1,013	1,095	1,237	2,332
Subtotal.....		21	81	102	1,624	1,726	1,365	3,091

As of December 31, 2009

Provision								
Minimum Requirement								
Specific								
Risk Level	% Minimum Required Provision	Past Due	Falling Due	Total Specific ⁽¹⁾	Generic ⁽²⁾	Total	Additional ⁽³⁾	Existing
<i>(R\$ in millions, except percentages)</i>								
D.....	10.0	54	126	180	198	378	618	996
E.....	30.0	155	257	412	163	575	348	923
F.....	50.0	256	386	642	254	896	307	1,203
G.....	70.0	305	379	684	253	937	365	1,302
H.....	100.0	3,950	2,916	6,866	1,932	8,798	-	8,798
Subtotal		4,720	4,064	8,784	2,800	11,584	1,638	13,222
Total as of December 31, 2009		4,741	4,145	8,886	4,424	13,310	3,003	16,313
%		29.1	25.4	54.5	27.1	81.6	18.4	100.0

(1) Provisions made for credit operations with installments due for a period in excess of 14 days.

(2) Recorded based on the client/transaction classification.

(3) The additional provision is recorded based on Management's experience and expected realization of the loan portfolio, to determine the total provision deemed sufficient to cover specific and general loan risks, linked to the provision calculated based on risk level ratings and the corresponding minimum percentage of provision established by CMN Resolution No. 2,682/99, as amended. The additional provision per client was classified according to the corresponding risk levels.

As of December 31, 2008

Provision								
Minimum Requirement								
Specific								
Risk Level	% Minimum Required Provision	Past Due	Falling Due	Total Specific ⁽¹⁾	Generic ⁽²⁾	Total	Additional ⁽³⁾	Existing
<i>(R\$ in millions, except percentages)</i>								
AA.....	0.0	—	—	—	—	—	—	—
A.....	0.5	—	—	—	380	380	1	380
B.....	1.0	2	19	22	202	224	2	227
C.....	3.0	19	65	84	815	899	454	1,354
Subtotal		22	84	106	1,397	1,504	458	1,962
D.....	10.0	57	108	165	114	280	477	757
E.....	30.0	135	185	321	84	405	249	654
F.....	50.0	205	282	488	120	608	210	819
G.....	70.0	233	246	479	101	581	225	806
H.....	100.0	2,647	1,719	4,366	894	5,261	—	5,261
Subtotal		3,278	2,542	5,821	1,315	7,137	1,162	8,299
Overall total on December 31, 2008		3,301	2,626	5,928	2,713	8,642	1,620	10,262
%		32.2	25.6	57.8	26.4	84.2	15.8	100.0
Overall total on December 31, 2007		2,642	1,770	4,412	2,284	6,697	1,128	7,825
%		33.8	22.6	56.4	29.2	85.6	14.4	100.0

(1) Provisions made for credit operations with installments due for a period in excess of 14 days.

(2) Recorded based on the client/transaction classification.

(3) The additional provision is recorded based on Management's experience and expected realization of the loan portfolio, to determine the total provision deemed sufficient to cover specific and general loan risks, linked to the provision calculated based on risk level ratings and the corresponding minimum percentage of provision established by CMN Resolution No. 2,682/99, as amended. The additional provision per client was classified according to the corresponding risk levels.

As of December 31, 2007

Provision								
Minimum Requirement								
Specific								
Risk Level	% Minimum Required Provision ⁽¹⁾	Past Due	Falling Due	Total Specific ⁽¹⁾	Generic ⁽²⁾	Total	Additional ⁽³⁾	Existing
<i>(R\$ in millions, except percentages)</i>								
AA.....	0.0	—	—	—	—	—	—	—
A.....	0.5	—	—	—	305	305	1	306
B.....	1.0	2	16	18	134	152	1	154
C.....	3.0	13	45	58	645	703	271	974
Subtotal.....		15	61	76	1,084	1,160	273	1,434
D.....	10.0	33	61	95	111	206	338	544
E.....	30.0	95	140	234	71	306	187	493
F.....	50.0	138	175	312	108	420	143	562
G.....	70.0	210	201	411	121	531	187	718
H.....	100.0	2,152	1,132	3,285	790	4,075	—	4,075
Subtotal.....		2,628	1,709	4,337	1,201	5,538	855	6,392
Total in 2007.....		2,643	1,770	4,413	2,285	6,698	1,128	7,826
%.....		33.8	22.6	56.4	29.2	85.6	14.4	100.0
Total in 2006.....		2,079	1,556	3,635	1,910	5,546	1,100	6,646
%.....		31.2	23.4	54.6	28.9	83.5	16.5	100.0

(1) Provisions made for credit operations with installments due for a period in excess of 14 days.

(2) Recorded based on the client/transaction classification.

(3) The additional provision is recorded based on Management's experience and expected realization of the loan portfolio, to determine the total provision deemed sufficient to cover specific and general loan risks, linked to the provision calculated based on risk level ratings and the corresponding minimum percentage of provision established by CMN Resolution No. 2,682/99, as amended. The additional provision per client was classified according to the corresponding risk levels.

Taxes

Our income tax expense consists of two components, a federal income tax (assessed at a rate of 15% of adjusted net income increased by an additional income tax at a rate of 10%) and the social contribution on adjusted net income (currently assessed at a rate of 15% of adjusted net income, as described below). See "Brazilian Financial Services Industry and Regulation — Taxation".

Brazilian corporations may characterize payments made to their shareholders as a distribution of interest on capital. Those payments are an alternative form of making dividend distributions and take a deduction against taxable income for those payments. We aim to maximize the amount of dividends we pay in the form of interest on capital.

On January 3, 2008, the Brazilian Government enacted Provisional Measure No. 413, which increased the social contribution on adjusted net income rate applicable to certain legal entities, including financial institutions, from 9% to 15%, beginning in May 2008. This Provisional Measure became law through the enactment of Law No. 11,727 of June 23, 2008. Additionally, Normative Ruling No. 810 of January 21, 2008 confirmed this increase of the rate of the social contribution on adjusted net income.

Pursuant to Decree No. 6,306 of December 14, 2007, as amended, foreign exchange transactions are subject to the Tax on Financial Transactions ("IOF"). The Minister of Finance establishes the applicable IOF rate, which can be increased at any time up to a maximum rate of 25%. The abovementioned Decree sets forth that the current general IOF rate is 0.38%, except for:

- the inflow of proceeds into Brazil derived from or destined to loans with minimum average terms of less than 90 days, in which case the IOF rate of 5.38% is applicable;
- foreign exchange transactions destined to comply with obligations of credit card administrators, commercial or multiple banks acting as credit card issuers, in connection with the acquisition of goods and services abroad performed by users, in which case the IOF rate of 2.38% is applicable;
- exchange transactions related to the inflow of cash arising from export of assets and services, in which case the IOF rate of 0% is applicable;

- exchange transactions from abroad, carried out by a foreign investor to invest in the financial or capital markets pursuant to the rules of the CMN, in which case the IOF rate of 2% is applicable and exchange transactions to abroad relating to investments in the financial or capital markets pursuant to the rules of the CMN, in which case the IOF rate of 0% is applicable; and
- exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, related to proceeds raised as from October 23, 2008, in which case the IOF rate of 0% is applicable.

IOF is levied, among others, on the payment of premium in connection with insurance transactions as follows: (i) at a 0% rate for reinsurance transactions, transactions relating to export credits or international transport of goods; (ii) at a 0.38% rate for life insurance transactions; (iii) at a rate of 2.38% for private health insurance; and (iv) at a rate of 7.38% for other types of insurance.

Acquisitions and Joint Ventures

We periodically look for business opportunities which result in acquisitions or divestitures. These transactions can affect our financial condition and results of operations. Below is a summary of the most recent transactions.

In January 2010, we signed a memorandum of understanding with the controlling shareholders of Ibi Services S. de R. L. México and RFS Human Management S. de R.L., for the purpose of acquiring 100% of its capital stock, and in parallel entered into a partnership agreement with C&A México S. de R.L. (“**C&A México**”) to jointly sell, on an exclusive basis and for a period of 20 years, financial products and services through the stores of the C&A México chain. The transactions are subject to final approval by the authorities in Brazil and Mexico.

On October 18, 2009, our subsidiary Bradesco Dental signed an association agreement with OdontoPrev to integrate dental plan sales activities. The agreement provides for the merger of shares issued by Bradesco Dental into OdontoPrev, becoming its wholly-owned subsidiary. Pursuant to this agreement, Bradesco Saúde S.A. (“**Bradesco Saúde**”), parent company of Bradesco Dental, received OdontoPrev shares equivalent to 43.50% of the capital stock. The operation was previously authorized, on December 2, 2009, by the National Agency for Supplementary Healthcare (ANS) and it is pending the analysis of the Antitrust and Consumer Protection Division of the Brazilian Ministry of Justice.

On June 4, 2009, we announced that we had entered into a private agreement for share merger and other covenants with the controlling shareholders of Banco ibi pursuant to which we agreed to acquire 100% of the capital stock of ibi Participações and its subsidiaries Banco ibi, ibi Corretora de Seguros Ltda. and ibi Corretora de Vendas Ltda. At the same time, we entered into a Partnership Agreement with C&A Modas Ltda. (“**C&A**”), an affiliate of Banco ibi, pursuant to which we will be able to offer financial products and services through C&A stores. On October 29, 2009, our shareholders resolved at a special shareholders’ meeting to merge the totality of shares representing the capital stock of ibi Participações with our own capital stock, converting ibi Participações into our wholly-owned subsidiary by means of an issuance of 45,662,775 new shares with no par value, of which 22,831,389 are common shares and 22,831,386 are preferred shares. All the shares were allotted to the shareholders of ibi Participações pro rata to the interests they previously held in ibi Participações.

In April 2009, we acquired, through Bradesco Seguros, 20% of the voting capital and total capital stock of Integritas, a holding company of Grupo Fleury, for R\$342 million. Grupo Fleury, which has operated for the past 83 years, is one of Brazil’s most renowned and respected medical and health organizations. It provides diagnosis, clinical treatment and medical analyses services, and is a benchmark in complex medical tests for nearly 1,500 clinical laboratories and hospitals.

On April 20, 2009, we acquired shares of Banco Espírito Santo S.A. through purchases made in the open market, following which we owned 6.05% of Banco Espírito Santo S.A. Banco Espírito Santo S.A. is part of the Espírito Santo group. Mr. Ricardo Espírito Santo Silva Salgado, a member of our Board of Directors, is also vice-president of the board of directors of Banco Espírito Santo S.A. and is a member of the Espírito Santo group’s Superior Council.

On March 6, 2008, we announced that we had entered into a private instrument for the commitment of merger of stocks and other covenants with the controlling shareholders of Ágora Holdings S.A. (“**Ágora Holdings**”), pursuant to which our subsidiary Bradesco BBI S.A. (“**BBI**”) agreed to acquire 100% of the capital stock of Ágora Corretora de Títulos e Valores Mobiliários S.A. (“**Ágora Corretora**”), a wholly-owned subsidiary of Ágora Holdings. We delivered approximately 8% of BBI’s total capital stock to Ágora Holdings as payment.

On January 21, 2008, we entered into a share assignment agreement with Marsh Corretora de Seguros Ltda., the parent company of Mediservice — Administradora de Planos de Saúde Ltda. (“**Mediservice**”), through which we acquired a controlling interest in Mediservice. Mediservice is specialized in the development and implementation of corporate health care plans.

On October 10, 2007, our subsidiary Bradesco Saúde entered into an agreement with Liberty Internacional Brasil Ltda (“**Liberty Internacional**”) pursuant to which Liberty Internacional agreed to purchase Bradesco Saúde’s 40% interest in Indiana Seguros S.A.

On October 2, 2007, we announced that we had entered into a joint venture with Banco de Chile for the management of investment funds through our respective subsidiaries Banchile Inversiones and Bradesco Asset Management. This joint venture focuses on the administration, management, and distribution of investment funds in Brazil and Chile with the objective of broadening the range of investment products we offer to our clients. Through the joint venture, we are currently contemplating offering two investment funds to Chilean retail and private investors, as well as the possibility of offering investment funds to Chilean institutional investors in the near future.

On January 24, 2007, we announced that we had entered into a private instrument for the commitment of merger of stocks and other covenants with the controlling shareholders of Banco BMC S.A. (“**Banco BMC**”), pursuant to which we acquired 100% of the capital stock of Banco BMC and its subsidiaries BMC Asset Management Ltda. — Distribuidora de Títulos e Valores Mobiliários, BMC Previdência S.A. and Credicerto Promotora de Vendas Ltda. Banco BMC specializes in payroll loan portfolios and, according to data from Dataprev, is one of the leaders in the *Instituto Nacional do Seguro Social* (Brazilian National Social Security Institute) (“**INSS**”) payroll deductible loan market. The Central Bank approved the transaction on September 28, 2007.

On May 15, 2006, we entered into a share sale and purchase agreement with Bradespar pursuant to which we acquired 100% of the shares of Bradesplan Participações S.A. held by Bradespar for the amount of R\$308 million, paid in cash.

On March 28, 2006, we announced that we had agreed a partnership with Fidelity National Information Services, Inc. and Banco ABN AMRO Real S.A. (later merged into Banco Santander (Brasil) S.A.) for the establishment of a company called Fidelity Processadora e Serviços S.A., or Fidelity. The purpose of the joint venture is to create a new partnership that focuses on the provision of card processing services such as processing, call center management, back office support, collection services and risk management.

On March 20, 2006, we announced that we had entered into an agreement with American Express to assume the company’s credit card and related operations in Brazil. The partnership comprises: (i) the transfer to Bradesco of American Express’s Brazilian subsidiaries operating in credit card and related businesses, including insurance brokerage, business travel services, retail foreign exchange services and direct consumer financing operations; and (ii) the concession to Bradesco of the exclusive right to issue the Centurion line of charge and credit cards in Brazil (the Centurion line includes the classic green, gold and platinum cards that carry the American Express Centurion logo). This exclusive right is for a minimum of ten years and allows us to issue American Express-branded cards to individual and corporate customers, offer the American Express Membership Rewards Program in conjunction with those cards, and manage the merchant network that accepts American Express Cards in Brazil. On June 30, 2006 we paid American Express U.S.\$468.4 million, the equivalent to R\$1.013 billion as of such date, for the subsidiaries.

Divestments

On June 30, 2009, we (through our subsidiary Columbus Holdings S.A.) announced the partial sale of our interest in the capital stock of Companhia Brasileira de Meios de Pagamento (“**Cielo**”, formerly VisaNet) as part of its secondary share offering, generating a pre-tax profit of R\$2 billion. On July 7, 2009, we announced an additional sale of our interest in the capital stock of Cielo (formerly VisaNet) as part of the over-allotment option granted to the underwriters, generating a pre-tax profit of R\$410 million. Following these sales, we hold a total of approximately 362.4 million common shares of Cielo (formerly VisaNet), corresponding to 26.56% of its capital stock.

On March 31, 2008, we announced the partial sale of our interest in the capital stock of Visa Inc. (“**VISA**”) as part of its initial public offering, generating a pre-tax profit of R\$352 million. Following such sale, we held a total of approximately 3.7 million shares of VISA’s capital stock.

On November 30, 2007, we announced the partial sale of our interest in the capital stock of *Bolsa de Mercadorias & Futuros* - BM&F S.A. (“**BM&F**”) as part of its initial public offering, generating a pre-tax profit of R\$263 million. Following such sale, we held a total interest of 2.52% in BM&F.

On October 26, 2007, we announced the partial sale of our interest in Bovespa as part of its initial public offering, generating a pre-tax profit of R\$178 million.

On June 26, 2007, we announced that we had entered into an agreement to sell 676,009 shares of common stock we held at that date in Serasa S.A. (formerly known as Serasa-Experian S.A.) (“**Serasa**”), a private company that focuses on providing financial analysis and information, to Experian Brasil Aquisições Ltda., a Brazilian subsidiary of Experian Solutions, Inc. The agreement provided for a sale price of R\$925.78 per share. After the completion of this sale, we continued to hold 311,408 shares of Serasa, representing an 8.36% interest in Serasa’s capital stock.

On November 13, 2006, we sold our entire holding of common stock in Usinas Siderúrgicas de Minas Gerais S.A. (“**Usiminas**”). Prior to the sale, we held an aggregate of 2.8% of Usiminas’ common stock. The sale generated a pre tax profit of R\$219 million for us.

Consumer Financing Operational Agreements

On June 8, 2006, we announced that we had entered into a partnership with GBarbosa, a Brazilian retail chain, for the issuance and administration of the Credi-Hiper private label credit card, which is a card that allows GBarbosa’s customers to obtain financing for in-store purchases in GBarbosa’s network. As of June 2006, there were 680,000 account-holders of the Credi-Hiper credit card. The partnership also provides for the offering by us of banking products and services to GBarbosa’s customers. As of June 2006, the GBarbosa retail chain comprised nine hypermarkets, 25 supermarkets and 27 drugstores located in the Brazilian states of Bahia and Sergipe.

On July 26, 2006, we announced that we had entered into an agreement with the Coop — Cooperativa de Consumo (“**Coop**”), a Brazilian consumer cooperative, for the establishment of *Coop Fácil*, a private label credit card, to be managed by Banco Finasa BMC S.A., or Banco Finasa, a subsidiary of Bradesco which focuses on consumer financing. Coop members will be able to use the new card to pay for purchases made at all Coop outlets and we will provide these members with financing for such purchases. The agreement also provides for the sale of our products and services, such as personal loans, insurance and certificated savings bonds, at all Coop outlets. Coop, which was founded in 1954, had more than 1.3 million members as of July 31, 2006, and was served by 22 distribution outlets in the state of São Paulo.

Strategic Partnership

On August 18, 2008, we entered into an operational alliance with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“**MUFJ**”), pursuant to which our subsidiary BRAM-Bradesco Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários (“**BRAM**”) and Mitsubishi UFJ Asset Management Co. Ltd. (“**MUAM**”) offers investment funds comprising portfolios of Brazilian assets to Japanese investors. MUAM carries out day-to-day management of the funds, with BRAM acting as fund advisor.

Significant Accounting Policies

Our significant accounting policies are described in note 3 to our audited consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007, included in the Base Prospectus. The application of these policies affects our financial condition and results of operations. Certain of those policies are required by the Central Bank. See “Brazilian Financial Services Industry and Regulations”. We set out a summary of certain of our significant accounting policies below:

Classification of Securities

We classify securities in our portfolio as either (i) trading securities (securities acquired for the purpose of being actively and frequently traded, and which are adjusted to market value as a counter-entry to income for the period); (ii) available-for-sale securities (securities which are not specifically intended for trading purposes or as held to maturity, and which are adjusted to market value as a counter-entry to a specific account as part of shareholders’ equity, at amounts net of tax effects); or (iii) held-to-maturity securities (securities which we intend to hold in our portfolio until they mature, and which are recorded at acquisition cost, plus income earned, as a counter entry to income for the period).

Securities classified in the trading and available-for-sale categories, as well as derivative financial instruments, are recorded at their estimated fair value on our balance sheet. Fair value generally is based on market prices quotations for assets or liabilities with similar characteristics. In the event that market prices are not available, fair values are based on market operators’ quotations, pricing models, discounted cash flows or similar techniques for which the determination, of fair value may require judgment or significant estimates by our management.

Derivative Financial Instruments

We classify derivative financial instruments based on our management’s intended use on the date that we entered into those instruments, including an assessment of whether or not we entered into those instruments for the purpose of hedging.

We enter into derivative financial instruments to both manage our global exposure (including to different currencies) as well as on behalf of our clients, at their request, to manage their positions. We record valuations or devaluations as income or expense, as appropriate.

Derivative financial instruments used to mitigate risks deriving from exposure to variations in financial assets and liabilities market value are considered hedges and are classified as either:

- *Market risk hedges:* financial instruments classified in this category as well as their hedge-related financial assets and liabilities have their gains and losses, realized or not, recorded as income; or
- *Cash flow hedges:* for financial instruments classified in this category, the effective valuation or devaluation portion is recorded, net from tax effects, in a specific account under the shareholders’ equity. The non-effective portion of the respective hedge is directly recognized as income.

Pursuant to Resolution No. 3,824, enacted by the CMN on December 16, 2009, as from February 1, 2010, all derivative transactions carried out by Brazilian financial institutions abroad, either directly or indirectly, must be registered with a Brazilian clearing chamber authorized to operate by the Central Bank or the CVM. Such requirement was extended to foreign hedging transactions, pursuant to Resolution No. 3,833, enacted by the CMN on January 28, 2010, which will be in force starting March 15, 2010.

Loan and leasing operations, advances on foreign exchange contracts, other receivables with characteristics of loan assignment and allowance for loan losses.

Loan and leasing operations, advances on foreign exchange contracts and other receivables with characteristics of loan assignment are classified at their corresponding risk levels in compliance with: (i) the parameters established by

CMN Resolution 2,682, at nine levels from “AA” (minimum risk) to “H” (maximum risk); and (ii) our management’s risk level assessment. This assessment, which is carried out on a periodic basis, considers current economic conditions and past loan loss experience, as well as specific and general risks relating to operations, borrowers and guarantors. In addition, the length of the delay in payment as specified in CMN Resolution 2,682 is also taken into account for client risk rating purposes. See “Brazilian Financial Services Industry and Regulations — Regulations Affecting Financial Market Liquidity — Treatment of Overdue Debts”.

Technical provisions relating to insurance, private pension plans and certificated savings bonds activities

We calculate technical provisions relating to insurance, private pension plans and certificated savings bonds activities in accordance with actuarial technical notes approved by SUSEP and the *Agência Nacional de Saúde Suplementar* (the National Agency of Supplemental Health) (“ANS”), and criteria set forth by the *Conselho Nacional de Seguros Privados* (the National Private Insurance Council) (“CNSP”) Resolutions 162/2006, 181/2007, 195/2008 and 204/2009, as amended.

Insurance of Basic, Health and Life Lines

We record an unearned premiums provision (“PPNG”) that comprises retained premiums (except reinsurance assignments) that are deferred during the term of effectiveness of the insurance agreements that we issue, determining the pro rata day value of the unearned premium of the period of the risk to accrue (future risk of policies in effect). We record a provision of premium insufficiency in the event that the PPNG is insufficient in accordance with actuarial calculations.

We record an IBNR claim provision, calculated on an actuarial basis, to quantify the amount of claims not reported by policyholders/beneficiaries. Pursuant to CNSP Resolution 195/2008, as of 2009, insurance companies are not required to deduct the calculation of provisions of amounts transferred to third parties through reinsurance operations.

We record a provision of unsettled claims based on the indemnity payment estimates, net of recoveries of co-insurance and re-insurance, pursuant to notices of claims received from policyholders. The provision is monetarily restated and includes all claims under litigation. In the case of health insurance, in accordance with the applicable technical note approved by ANS, the provision of unsettled claims complements the provisions of the IBNR.

We record a supplementary premium provision (“PCP”) on a monthly basis to complement the PPNG provision. The value of the PCP is the difference, if positive, between the average of the sum of PPNG values verified daily and the recorded amount of the PPNG.

We record other technical provisions in relation to differences of future readjustments of premiums and those readjustments as are required for the technical balance of the individual health plan portfolio, adopting a formulation included in the actuarial technical note approved by ANS.

We record a provision of benefits to be granted in relation to our individual health plan portfolio, referring to a five-year coverage period for dependents in the event of the death of a policyholder. We adopt a formulation included in the applicable actuarial technical note approved by ANS.

We record a provision of benefits granted in relation to our individual health plan portfolio, composed of liabilities arising from payment release contractual clauses referring to health plan coverage, accounting under the applicable ANS resolution, and premiums for the payment applicable policyholders.

Supplementary Private Pension Plans and Life Insurance covering Survival

We record a provision of benefits to be granted in relation to participants whose benefits have not yet commenced. Provisions related to private pension plans referred to as “traditional” represent the difference between the current value of the future benefits and the current value of the future contributions, corresponding to the obligations assumed under the form of retirement, disability, pension and savings funds plans. These provisions are calculated

in accordance with the methodology provided in applicable actuarial technical notes. The provisions linked to long-term life insurance (*Vida Gerador de Benefícios Livres* or “**VGBL**”) covering survival and to private pension plans that are part of the *Plano Gerador de Benefícios Livres* (“**PGBL**”) category represent the amount of contributions made by participants, net of loadings and other contractual charges, plus financial earnings generated by the investment of resources in exclusive investment funds (FIE).

We record a contribution insufficiency provision to complement the provisions of benefits granted and to be granted in the event that they are not sufficient to guarantee future commitments. The provision is calculated on an actuarial basis and takes into account the different life expectancy of men and women.

We record a financial fluctuation provision (in an amount up to 15% of the provision of benefits to be granted related to private pension plans that are in the category of variable contribution plans that have a guarantee of earnings).

We record an administrative expenses provision to cover administrative expenses of our defined benefit and variable contribution plans. This provision is calculated in accordance with the methodology set forth in the applicable actuarial technical note.

Certificated Savings Bonds

We record a provision for redemptions for each active or suspended certificated savings plan during the estimated term in the general conditions of the plan. The amount of the provision is calculated in accordance with the methodology set forth in the applicable actuarial technical notes approved by SUSEP.

We record provisions for redemptions by reference to the values of both expired certificated savings bonds and certificated savings bonds that have not expired but in respect of which clients have requested early redemption. The provisions are monetarily restated based on the indexes estimated in relation to each plan.

We record provisions for unrealized and payable drawings to cover premiums arising from both future drawings (unrealized) and premiums arising from drawings in respect of which clients were already selected (payable).

Reclassification of Certain Amounts as of and for the year ended December 31, 2008

To allow consistency and comparability of our financial statements, we reclassified certain amounts as of and for the year ended December 31, 2008 for inclusion in our consolidated financial statements as of and for the years ended December 31, 2009 and 2008 to provide for the same changes of presentation introduced in 2009.

We were not required to, and did not, reclassify our financial statements as of and for the years ended December 31, 2008 and 2007. Accordingly, these financial statements are not directly comparable to the financial statements as of and for the years ended December 31, 2009 and 2008. Had the financial information relating to 2007 in the financial statements as of and for the years ended December 2008 and 2007 also been presented on a basis consistent with 2009, similar reclassifications to those made to the 2008 numbers in the financial statements as of and for the years ended December 31, 2009 and 2008 would have been made, although the amounts involved would have been different.

The reclassification of certain amounts as of and for the year ended December 31, 2008 to ensure consistency and comparability with 2009 is quantified in note 4b to our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2008.

Commitments and Contingencies

We have contractual obligations to make certain payments to third parties, in accordance with the amounts presented in the following table:

Contractual Obligations	Payments due as of December 31, 2009				Total
	Less than 1 year ⁽¹⁾	1 to 3 years	3 to 5 years (R\$ in millions)	More than 5 years	
Time deposits	23,915	53,693	11,720	1,168	90,496
Federal funds purchased and securities sold under agreements to repurchase.....	86,590	21,016	3,716	1,951	113,273
Issuance of securities.....	3,368	2,380	1,468	267	7,483
Borrowings and onlendings	14,206	9,013	2,527	1,582	27,328
Other obligations ⁽²⁾	89,963	4,072	6,694	3,465	144,194
Total	218,042	130,174	26,125	8,433	382,774

(1) Based on our historical experience, we expect that most of our obligations that are contractually due within one year will be rolled over.

(2) Includes reserves for insurance claims, pension plans and pension investment contracts.

Off-balance Sheet Financial Guarantees

In addition to our credit operations, we have credit-related transactions with our customers for attending their financing needs. These transactions are not recorded on our balance sheet. The following table summarizes these off-balance sheet financial arrangements as of December 31, 2009:

Contract Obligations	Payments due as of December 31, 2009				Total
	Less than 1 year	1 to 3 years	3 to 5 years (R\$ in millions)	More than 5 years	
Financial guarantees.....	10,041	3,478	2,283	18,866	34,668
Letters of credit	1,385	—	—	—	1,385
Total.....	11,426	3,478	2,283	18,866	36,053

We guarantee our clients' performance in obligations with third parties. We have the right to seek reimbursement from our clients for any amount we shall have to pay under such guarantee. Additionally, we may hold cash or other highly liquid collateral for these obligations. These agreements are subject to the same credit evaluation performed on the execution of loans.

Letters of credit are conditional commitments issued by us to guarantee the performance of a customer's obligations with third parties. We issue commercial letters of credit to facilitate foreign trade transactions and to support public and private borrowing agreements, including commercial paper, bond financing and similar transactions. These instruments are short-term commitments to pay a third-party beneficiary under certain contractual conditions. Letters of credit are subject to the same credit evaluations as other extensions of credit.

We expect many of these guarantees to expire without the need to advance any cash. Accordingly, in the ordinary course of business, we expect that these transactions will not have a material adverse impact on our liquidity.

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

The following discussion should be read in conjunction with our audited consolidated financial statements, including the notes thereto, as of and for the year ended December 31, 2009 and 2008, which have been prepared in accordance with Accounting Practices Adopted in Brazil.

Net income

The following table shows the principal components of our consolidated net income for the years ended December 31, 2009 and 2008.

	For the Year Ended December 31,		
	2009	2008	Percentage Change
	(R\$ in millions)		(%)
Revenues from financial intermediation	62,899	57,611	9.2
Expenses from financial intermediation	(42,525)	(41,839)	1.6
Gross income from financial intermediation	20,374	15,772	29.2
Other operating income	40,485	35,539	13.9
Other operating expense	(50,861)	(43,522)	16.9
Non-operating income (expense), net	2,122	384	452.5
Income taxes and social contribution	(4,082)	(519)	686.7
Minority interest in subsidiaries	(25)	(34)	(26.5)
Net income	8,012	7,620	5.1

Our net income increased 5.1% to R\$8.0 billion for the year ended December 31, 2009 compared to R\$7.6 billion for the year ended December 31, 2008. Our return on equity was 21.4% for the year ended December 31, 2009 compared to 23.0% for the year ended December 31, 2008. Our return on assets was 1.7% for the year ended December 31, 2009 compared to 1.9% for the year ended December 31, 2008. The principal components of our net income are discussed further below.

Revenues from Financial Intermediation

The following table shows the principal components of our consolidated revenues from financial intermediation for the years ended December 31, 2009 and 2008.

	For the Year Ended December 31,		
	2009	2008	Percentage Change
	(R\$ in millions)		(%)
Revenues from financial intermediation			
Loan operations, leasing operations and sale or transfer of financial assets	34,823	32,261	7.9
Securities and derivative financial instruments	17,597	13,707	28.4
Financial income from insurance, private pension plans and certificated savings bonds	8,042	6,477	24.2
Foreign exchange operations	1,875	3,639	(48.5)
Compulsory deposits	561	1,527	(63.3)
Total	62,899	57,611	9.2

Revenues from financial intermediation increased 9.2% to R\$62.9 billion for the year ended December 31, 2009 from R\$57.6 billion for the year ended December 31, 2008. Revenues from financial intermediation included interest income from loan, leasing operations and sale or transfer of financial assets; income from securities and derivative financial instruments; financial income from insurance, private pension plans and certificated savings bonds; foreign exchange transactions and compulsory deposits. The principal components of our revenues from financial intermediation are discussed further below.

Income from loan, leasing operations and sale or transfer of financial assets

Income from loan, leasing operations and sale or transfer of financial assets increased by 7.9% to R\$34.8 billion for the year ended December 31, 2009 from R\$32.3 billion for the year ended December 31, 2008. This increase was primarily the result of (i) a 6.1% increase in our loan portfolio, which totaled R\$191.0 billion for the year ended December 31, 2009 compared to R\$180.0 billion for the year ended December 31, 2008, and an 11.4% increase in our individual client portfolio (attributable principally to increases in consumer financing and the acquisition of Banco ibi which increased our loan portfolio by R\$3.7 billion), and a 2.5% increase in our corporate portfolio (attributable principally to corporate plans, operations abroad, *Banco Nacional de Desenvolvimento Econômico e*

Social (“**BNDES**”) / Agência Especial de Financiamento Industrial (“**FINAME**”) onlending and working capital) and (ii) higher recovery rates in the year ended December 31, 2009 in comparison to the year ended December 31, 2008.

Income from securities and derivative financial instruments

Income from securities and derivative financial instruments increased 28.4% to R\$17.6 billion for the year ended December 31, 2009 from R\$ 13.7 billion for the year ended December 31, 2008 primarily due to: a 28.9% increase in the volume of our securities portfolio (securities and derivative financial instruments) and interbank investment as we grew our business during this period, evidenced by: (a) an increase in fixed income securities in the amount of R\$1.1 billion, and (b) an increase in derivative financial instruments in the amount of R\$ 3.1 billion, partially offset by a decrease of R\$295 million in variable income securities.

Financial income from insurance, private pension plans and certificated savings bonds

Our financial income from insurance, private pension plans and certificated savings bonds increased 24.2% to R\$8.0 billion for the year ended December 31, 2009 from R\$6.5 billion for the year ended December 31, 2008. This increase is due to an increase in the amount of R\$12.4 billion in the volume of our securities portfolio in which we invest technical reserves from insurance, private pension plans and certificated savings bonds. This increase was partially offset by the negative variation of the general market price index (*Índice Geral de Preços do Mercado* or “**IGP-M**”) from a positive of 9.8% for the year ended December 31, 2008 to a negative of 1.7% for the year ended December 31, 2009.

Income from foreign exchange transactions

Our income from foreign exchange operations decreased 48.5% to R\$1.9 billion for the year ended December 31, 2009 from R\$3.6 billion for the year ended December 31, 2008, primarily as a result of an increase of R\$2.0 billion in expenses from exchange rate variations. This increase was partially offset by an increase of R\$148 million in income from funds denominated in foreign currencies. Including foreign funding expenses used for import/export operation financing, our consolidated income from foreign exchange operations would have been R\$689 million for the year ended December 31, 2009 from R\$609 million for the year ended December 31, 2008, primarily due to an increase in income from exchange rate variations.

Income from compulsory deposits

Our income from compulsory deposits with the Central Bank decreased 63.3% to R\$561 million for the year ended December 31, 2009 from R\$1.5 billion for the year ended December 31, 2008. This decrease was primarily due to a reduction in the level of compulsory deposits that financial institutions in Brazil are required to deposit with the Central Bank, a measure adopted by the Central Bank and intended to improve liquidity in Brazil’s financial system, as well as a decrease in the SELIC rate, to 8.8% for the year ended December 31, 2009 from 13.8% for the year ended December 31, 2008.

Expenses from financial intermediation

The following table shows the principal components of our consolidated expenses from financial intermediation for the years ended December 31, 2009 and 2008.

	For the Year Ended December 31,		
	2009	2008	Percentage Change
	(R\$ in millions)		(%)
Expenses from financial intermediation			
Market funding operations	(23,452)	(22,762)	3.0
Borrowings, onlendings and leasing operations	(1,007)	(7,185)	(86.0)
Price level restatement and interest on technical provisions for insurance, private pension plans and certificated savings bonds	(5,129)	(4,008)	28.0
Provision for loan losses	(12,937)	(7,884)	64.1
Total	(42,525)	(41,839)	1.6

Expenses from financial intermediation increased by 1.6% to R\$42.5 billion for the year ended December 31, 2009 from R\$41.8 billion for the year ended December 31, 2008. Expenses from financial intermediation included interest expenses on market funding operations (including savings accounts, time deposits, interbank deposits and money market repurchase commitments), interest expenses on borrowing, credit assignments, leasing operations and onlendings (local and foreign), price level restatement and interest on technical provisions for insurance, private pension plans and certificated savings bonds and provision for loan losses. The principal components of our expenses from financial intermediation are discussed further below.

Interest expense on market funding operations

Interest expense on market funding operations (including deposits, issuance of securities and federal funds purchased) increased 3.0% to R\$23.5 billion for the year ended December 31, 2009 from R\$22.8 billion for the year ended December 31, 2008. This increase was primarily due to an increase in our funding volume, which increased 13.9% to R\$256.1 billion for the year ended December 31, 2009 from R\$224.9 billion for the year ended December 31, 2008, mainly driven by federal funds purchased.

Interest expense on borrowings, onlendings and leasing operations

Interest expense on borrowings, onlendings and leasing operations decreased by 86.0% to R\$1.0 billion for the year ended December 31, 2009 from R\$7.2 billion for the year ended December 31, 2008. This decrease in expense was primarily due to the 25.5% negative exchange rate variation, which directly impacted borrowings and onlendings denominated and/or indexed in foreign currency, whose balance was R\$8.0 billion for the year ended December 31, 2009 and R\$14.2 billion for the year ended December 31, 2008. Such decrease was partially offset by the increase in the volume of funds from borrowings and onlending in Brazil, especially through FINAME and BNDES operations, the balance of which was R\$19.3 billion as of December 31, 2009, and R\$17.8 billion as of December 31, 2008.

Price level restatement and interest on technical provisions for insurance, private pension plans and certificated savings bonds

Price level restatement and interest on technical provisions for insurance, private pension plans and certificated savings bonds increased by 28.0% to R\$5.1 billion for the year ended December 31, 2009 from R\$4.0 billion for the year ended December 31, 2008. This increase was primarily due to an increase in the volume of our portfolio to R\$75.6 billion for the year ended December 31, 2009, from R\$ 64.6 billion for the year ended December 31, 2008. This increase is partially offset by the negative variation of the IGP-M from a positive of 9.8% for the year ended December 31, 2008 to a negative of 1.7% for the year ended December 31, 2009.

Provision for loan losses

Provision for loan losses increased by 64.1% to R\$12.9 billion for the year ended December 31, 2009 from R\$7.9 billion for the year ended December 31, 2008. This increase was due to: (i) an additional provision for loan losses recorded in the second quarter of 2009 in the amount of R\$1.3 billion, which was calculated according to our

statistical models; (ii) continuing effects of the global financial crisis which caused an economic slowdown in Brazil and affected the ability of companies and individuals to make payments on their loans and (iii) an increase of 6.1% in the size of our loan portfolio in the period.

Gross income from financial intermediation

Gross income from financial intermediation increased by 29.2% to R\$20.4 billion for the year ended December 31, 2009 from R\$15.8 billion for the year ended December 31, 2008.

Other operating income

	For the Year Ended December 31,		Percentage Change (%)
	2009	2008	
	(R\$ in millions)		
Other operating income			
Fee and commission income	11,611	10,862	6.9
Retained premiums from insurance, private pension plans and certificated savings bonds	26,110	22,824	14.4
Equity in the earnings of unconsolidated companies	200	135	48.1
Other income	2,564	1,718	49.2
Total	40,485	35,539	13.9

Other operating income increased by 13.9% to R\$40.5 billion for the year ended December 31, 2009 from R\$35.5 billion for the year ended December 31, 2008. This increase was primarily due to: (i) a 6.9% increase in fee and commission income to R\$11.6 billion for the year ended December 31, 2009 from R\$10.9 billion for the year ended December 31, 2008 and (ii) a 14.4% increase in retained premiums from insurance, private pension plans and certificated savings bonds, which amounted to R\$26.1 billion for the year ended December 31, 2009 compared to R\$22.8 billion for the year ended December 31, 2008.

The increase of 6.9% in fee and commission income was principally due to an increase in credit card operations and the strong performance of underwriting operations, as well as by the larger business and client base, which expanded by 4.0% over the year.

The increase of 14.4% in retained premiums from insurance, private pension plans and certificated savings bonds was primarily due to: (i) an increase of R\$841 million in premiums from increased sales of health insurance products, (ii) an increase of R\$295 million in premiums in automobile insurance; (iii) an increase of R\$275 million in premiums in life insurance; and (iv) an increase in premiums from sales of VGBL products of R\$1.7 billion.

Other operating expenses

	For the Year Ended December 31,		Percentage Change (%)
	2009	2008	
	(R\$ in millions)		
Other operating expenses			
Variations of technical provisions for insurance, private pension plans and certificated savings bonds	(12,786)	(10,533)	21.4
Retained claims	(8,329)	(7,391)	12.7
Savings bonds drawings and redemptions	(1,747)	(1,466)	19.2
Insurance, private pension plans and certificated savings bonds	(1,265)	(1,178)	7.3
Personnel expenses	(7,966)	(7,389)	7.8
Other administrative expenses	(9,283)	(8,259)	12.4
Tax expenses	(2,714)	(1,967)	37.9
Other expenses ⁽¹⁾	(6,771)	(5,339)	26.8
Total	(50,861)	(43,522)	16.9

(1) Other expenses consist of other operating expenses and amortization of goodwill.

Other operating expenses increased 16.9% to R\$50.9 billion for the year ended December 31, 2009 from R\$43.5 billion for the year ended December 31, 2008. This increase was primarily due to the following factors:

- an increase of 21.4% in variations of technical provisions for insurance, private pension plans and certificated savings bonds, which was primarily due to an increase of R\$1.7 billion in the variation of technical provisions related to VGBL products;
- an increase of 12.7% in retained claims, mainly occurred in health lines;
- an increase of 7.8% in personal expenses, which was primarily due to an increase in salary levels of 6.0% resulting from the 2009 collective bargaining agreement;
- an increase of 12.4% in other administrative expenses, which was primarily due to: (i) organic growth and the resulting increase in service points, which directly impacted the principal items under administrative expenses; (ii) the higher business volume; (iii) the Banco Ibi merger; and (iv) the renegotiation of agreements; and
- an increase in other expenses, mainly due to an increase of R\$ 962 million in expenses with other operating provisions, which includes supplementary provision for civil lawsuits.

Non-operating income (expense), net

Non-operating income was R\$2.1 billion for the year ended December 31, 2009. In 2009, non-operating income mainly comprised income from the partial divestment of our stake in Cielo (formerly Visanet), net of distribution costs, in the amount of R\$2.4 billion.

Non-operating income was R\$384 million for the year ended December 31, 2008. In 2008, non-operating income mainly comprised income from the partial divestment of our stake in Visa Inc. in its initial public offering, in which we recorded R\$352 million in non-operating income.

Income taxes and social contribution

Income tax and social contribution expenses increased 686.7% to R\$4.1 billion for the year ended December 31, 2009 from R\$519 million for the year ended December 31, 2008. The increase was primarily due to an increase of 48.3% in the income before income tax and social contribution and a decrease in additions and exclusions, mainly related to exchange losses, which are not taxable.

	For the Year Ended December		Percentage
	31,		
	2009	2008	Change
	<i>(R\$ in millions)</i>		<i>(%)</i>
Income before income tax and social contribution	12,119	8,173	48.3
Total charge of income taxes and social contribution ⁽¹⁾	(4,848)	(3,095)	56.6
Effect of additions and exclusions on the tax calculation	765	2,576	(70.3)
Equity in the earnings of unconsolidated companies	80	52	53.8
Exchange gain (loss)	(1,007)	1,243	-
Non deductible expenses, net of non taxable income	20	(17)	-
Interest on shareholders' equity (paid and payable)	853	755	13.0
Effect of the difference of the social contribution rate	568	405	40.2
Other amounts	251	138	81.9
Income tax and social contribution for the period	(4,082)	(519)	686.7

(1) In May 2008, the social contribution rate changed to 15% from 9%.

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

The following discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2008 and 2007, and the notes thereto, which have been prepared in accordance with Accounting Practices Adopted in Brazil.

Net income

The following table shows the principal components of our consolidated net income for the years ended December 31, 2008 and 2007:

	For the Years Ended December 31,		Percentage Change (%)
	2008	2007	
	(R\$ in millions)		
Net income			
Revenues from financial intermediation	57,611	42,823	34.5
Expenses from financial intermediation	(41,839)	(24,791)	68.8
Gross income from financial intermediation	15,772	18,032	(12.5)
Other operating income.....	35,892	33,191	8.1
Other operating expense.....	(43,875)	(41,882)	4.8
Non-operating income (expense), net.....	384	1,203	(68.1)
Income taxes and social contribution.....	(519)	(2,523)	(79.4)
Minority interest in subsidiaries.....	(34)	(11)	209.1
Net income	7,620	8,010	(4.9)

Our net income decreased 4.9% to R\$7.6 billion for the year ended December 31, 2008 compared to R\$8.0 billion for the year ended December 31, 2007. Our return on equity was 23.0% for the year ended December 31, 2008 compared to 26.4% for the year ended December 31, 2007. Our return on assets was 1.9% for the year ended December 31, 2008 compared to 2.3% for the year ended December 31, 2007. The principal components of our net income are discussed further below.

Revenues from financial intermediation

The following table shows the principal components of our consolidated revenues from financial intermediation for the year ended December 31, 2008 and 2007:

	For the Year Ended December 31,		Percentage Change (%)
	2008	2007	
	(R\$ in millions)		
Revenues from financial intermediation			
Loan and leasing operations	32,261	23,289	38.5
Securities and derivative financial instruments.....	13,707	10,001	37.1
Financial income from insurance, private pension plans and certificated savings bonds.....	6,477	7,644	(15.3)
Foreign exchange transactions	3,639	646	463.3
Compulsory deposits	1,527	1,243	22.8
Total	57,611	42,823	34.5

Revenues from financial intermediation increased 34.5% to R\$57.6 billion for the year ended December 31, 2008 from R\$42.8 billion for the year ended December 31, 2007. Revenues from financial intermediation included interest income from loan and leasing operations, income from securities and derivative financial instruments, financial income from insurance, private pension plans and certificated savings bonds, foreign exchange transactions and compulsory deposits. The principal components of our revenues from financial intermediation are discussed further below.

Loan and leasing operations

Income from loan and leasing operations increased by 38.5% to R\$32.3 billion for the year ended December 31, 2008 from R\$23.3 billion for the year ended December 31, 2007. This increase was primarily the result of: (i) a 32.1% increase in our loan portfolio, which totaled R\$173.4 billion as of December 31, 2008 compared to R\$131.3 billion as of December 31, 2007 (the loan portfolio increased primarily due to a 24.7% increase in our individual client portfolio (attributable principally to increases in consumer financing) and a 37.1% increase in our corporate portfolio (attributable principally to export financing, working capital, onlending of BNDES credit lines and real estate financing)) and (ii) higher recovery rates in 2008 in comparison to 2007.

Securities and derivative financial instruments

The increase of 37.1% in income from securities and derivative financial instruments to R\$13.7 billion for the year ended December 31, 2008 from R\$10.0 billion for the year ended December 31, 2007 was primarily due to a 57.6% increase in the volume of our securities portfolio (securities and derivative financial instruments) and interbank investment as we grew our business during this period, reflecting on: (a) an increase in fixed income securities in the amount of R\$6.9 billion, partially offset by (b) an decrease in derivative financial instruments in the amount of R\$ 3.0 billion, and (c) a decrease of R\$197 million in variable income securities.

Financial income from insurance, private pension plans and certificated savings bonds

Our financial income from insurance, private pension plans and certificated savings bonds decreased 15.3% to R\$6.5 billion for the year ended December 31, 2008 from R\$7.6 billion for the year ended December 31, 2007. This decrease was primarily due to: (i) lower non-interest income of R\$400 million resulting from lower gains from our investment portfolio due to volatility in the global financial markets during the period; (ii) a decrease in the IGP-M and CDI rates; and (iii) a decrease in the Ibovespa index during the period. This decrease was partially offset by an increase in the volume of our portfolio.

Foreign exchange transactions

Our income from foreign exchange transactions increased 463.3% to R\$3.6 billion for the year ended December 31, 2008 from R\$646 million for the year ended December 31, 2007. Excluding foreign funding expenses used for import/export operation financing, our consolidated income from foreign exchange transactions would have been R\$1 billion for the year ended December 31, 2008 and R\$378 million for the year ended December 31, 2007, primarily due to an increase in our foreign exchange portfolio.

Compulsory deposits

Our income from compulsory deposits with the Central Bank increased 22.8% to R\$1.5 billion for the year ended December 31, 2008 from R\$1.2 billion for the year ended December 31, 2007. This increase was primarily due to an increase in the average volume of deposits during the period. This increase was partially offset by a decrease in the level of compulsory deposits that financial institutions in Brazil are required to deposit with the Central Bank.

Expenses from financial intermediation

The following table shows the principal components of our consolidated expenses from financial intermediation for the years ended December 31, 2008 and 2007.

	For the Years Ended December 31,		Percentage Change
	2008	2007	
	<i>(R\$ in millions)</i>		<i>(%)</i>
Expenses from financial intermediation			
Market funding operations.....	22,762	13,726	65.8
Borrowings, onlendings and leasing operations.....	7,185	951	655.5
Price level restatement and interest on technical provisions for insurance, private pension plans and certificated savings bonds	4,008	4,616	(13.2)
Provision for loan losses.....	7,884	5,498	43.4
Total	41,839	24,791	68.8

Expenses from financial intermediation increased by 68.8% to R\$41.8 billion for the year ended December 31, 2008 from R\$24.8 billion for the year ended December 31, 2007. Expenses from financial intermediation included interest expenses on market funding operations (including savings accounts, time deposits, interbank deposits and money market repurchase commitments), interest expenses on borrowing, credit assignments, leasing operations and onlendings (local and foreign), price level restatement and interest on technical provisions for insurance, private pension plans and certificated savings bonds and provision for loan losses. The principal components of our expenses from financial intermediation are discussed further below.

Market funding operations

Interest expense on market funding operations increased 65.8% to R\$22.8 billion for the year ended December 31, 2008 from R\$13.7 billion for the year ended December 31, 2007. This increase was primarily due to an increase in funding volume (especially of time deposits).

Borrowings, onlendings and leasing operations

Interest expense on borrowings, onlendings and leasing operations increased by 655.4% to R\$7.2 billion for the year ended December 31, 2008 from R\$951 million for the year ended December 31, 2007. This increase in expense was primarily due to: (i) an increase in the funding volume during the period and (ii) the depreciation of the *real* against foreign currencies in 2008.

Price level restatement and interest on technical provisions for insurance, private pension plans and certificated savings bonds

Price level restatement and interest on technical provisions for insurance, private pension plans and certificated savings bonds decreased by 13.2% to R\$4.0 billion for the year ended December 31, 2008 from R\$4.6 billion for the year ended December 31, 2007. This decrease was primarily due to a decrease in the IGP-M, CDI and in the Ibovespa index during the period. This decrease was partially offset by a higher volume of technical provisions (especially those for PGBL and VGBL products).

Provision for loan losses

Provision for loan losses increased by 43.4% to R\$7.9 billion for the year ended December 31, 2008 from R\$5.5 billion for the year ended December 31, 2007. The increased expense of R\$2.4 billion was mainly as a result of the performance of our loan portfolio, which grew by 32.1% or R\$42.1 million from December 31, 2007 to December 31, 2008 particularly with respect to our individual client portfolio, which grew by 24.7%.

Gross income from financial intermediation

Gross income from financial intermediation decreased by 12.5% to R\$15.8 billion for the year ended December 31, 2008 from R\$18.0 billion for the year ended December 31, 2007.

Other operating income

	For the Year Ended December 31,		Percentage Change (%)
	2008	2007	
	(R\$ in millions)		
Other operating income			
Fee and commission income	11,215	10,805	3.8
Retained premiums from insurance, private pension plans and certificated savings bonds	22,824	20,857	9.4
Equity in the earnings of unconsolidated companies	135	42	221.4
Other income.....	1,718	1,487	15.5
Total	35,892	33,191	8.1

Other operating income increased by 8.1% to R\$35.9 billion for the year ended December 31, 2008 from R\$33.2 billion for the year ended December 31, 2007. This increase was primarily due to retained premiums from insurance, private pension plans and certificated savings bonds, which amounted to R\$22.8 billion for the year ended December 31, 2008 compared to R\$20.8 billion for the year ended December 31, 2007.

The increase in retained premiums from insurance, private pension plans and certificated savings bonds was primarily due to: (i) an increase of R\$1 billion in premiums from increased sales of health insurance products, which was substantially the result of additional premiums from increased sales of corporate health and dental insurance, the annual restatement of medical, hospital and dental cost variations, and the technical balance of the portfolio; (ii) an increase of R\$357 million in premiums from increased sales of life insurance; (iii) an increase of R\$51 million in premiums from the increase in sales of basic lines; (iv) an increase of R\$91 million in premiums in other segments; and (v) an increase in premiums from sales of VGBL products of R\$162 million.

Other operating expenses

	For the Year Ended December 31,		Percentage Change (%)
	2008	2007	
	(R\$ in millions)		
Other operating expenses			
Variations of technical provisions for insurance, private pension plans and certificated savings bonds	(10,533)	(11,669)	(9.7)
Retained claims.....	(7,391)	(6,014)	22.9
Saving bonds drawings and redemptions	(1,466)	(1,378)	6.4
Insurance, private pension plans and certificated savings bonds.....	(1,178)	(1,084)	8.7
Personnel expenses	(7,166)	(6,801)	5.4
Other administrative expenses.....	(8,144)	(6,912)	17.8
Tax expenses.....	(1,949)	(2,499)	(22.0)
Other expenses ⁽¹⁾	(6,048)	(5,525)	9.5
Total	(43,875)	(41,882)	4.8

(1) Other expenses consist of other operating expenses and amortization of goodwill.

Other operating expenses increased 4.8% to R\$43.9 billion for the year ended December 31, 2008 from R\$41.9 billion for the year ended December 31, 2007. This increase was primarily due to the following factors:

- an increase of retained claims due to the increase in production and the resulting growth in the volume of reported claims in: (i) the health line (R\$989 million); (ii) the basic lines (R\$72 million); (iii) the life line (R\$209 million); and (iv) the auto line (R\$20 million);

- an increase of 17.8% in other administrative expenses during the period, which was primarily due to: (i) organic growth attributable primarily to the expansion of our customer service network in Brazil; (ii) an increase in the volume of businesses; (iii) contractual adjustments; and (iv) investments in the improvement and optimization of our technological platform (IT Improvements Project); and
- an increase in personnel expenses primarily due to: (i) the expansion of our customer service network and the consequent hiring of employees; and (ii) an increase in salary levels ranging from 8.5% to 10% (according to the salary bracket) resulting from the 2008 collective bargaining agreement.

Non-operating income (expense), net

Non-operating income decreased to R\$384 million for the year ended December 31, 2008 from a non-operating income of R\$1.2 billion for the year ended December 31, 2007. In 2008 such decrease basically includes the partial sale of the equity interest in Visa Inc. in the amount of R\$352 million, originated from the IPO process, and in 2007 the result of the sale of securities of BMF&Bovespa for R\$516 million and Indiana Seguros S.A. for R\$64 million and the partial divestment of Serasa of R\$599 million.

Income taxes and social contribution

Income tax and social contribution expenses decreased 79.4% to R\$519 million for the year ended December 31, 2008 from R\$2.5 billion for the year ended December 31, 2007. The decrease was primarily due to a decrease of 22.5% in the income before taxes and social contribution and an increase in additions and exclusions, mainly related to exchange losses, which are not subject to taxes.

	For the Year Ended December 31,	
	2008	2007
	<i>(R\$ in millions)</i>	
Income taxes and social contribution	8,173	10,544
Total charge of income taxes and social contribution ⁽¹⁾	(3,095)	(3,585)
Effect of additions and exclusions on tax calculation		
Equity in the earnings of unconsolidated companies	52	14
Exchange gain (loss)	1,243	(505)
Non-deductible expenses, net of non-taxable income	(17)	(144)
Tax credit recorded in prior periods.....	—	718
Interest on shareholders' capital (paid and payable)	755	539
Social contribution rate	405	—
Other amounts	138	440
Income tax and social contribution expenses for the period	(519)	(2,523)

(1) Tax rates for 2007 were 25% for income tax and 9% for social contribution. In 2008, the social contribution rate changed to 15%.

Our Financial Condition

Credit Asset Management

Our policy on asset and liability management is to:

- manage interest rate, liquidity, foreign exchange and maturity risks in order to maximize our net income from financial operations and return on assets and equity, in light of our internal risk management policies; and
- maintain adequate liquidity and capital levels.

As part of our asset and liability management, we seek to minimize the risks associated with mismatched positions by matching, to the extent possible, the maturity, currency and interest rate structure of the loans we extend to the terms of the transactions under which we obtain funding for such loans.

Subject to our policy constraints, from time to time we take mismatched positions as to interest rates, maturities and, in more limited circumstances, foreign currencies, when we believe such positions are justified in view of market conditions and prospects.

We monitor the status of our assets and liabilities in accordance with Central Bank requirements and guidelines. The treasury committee of our senior management meets on a weekly basis to:

- present and discuss the transactions conducted by us during the previous week;
- present the exposure in each item of our portfolio, to factors such as fixed rates, floating rates, foreign currency and exchange rates;
- establish exposure limits based on our evaluation of the risks presented by our currency, term and interest rate gap positions and current market volatility levels;
- establish asset allocation and funding policies; and
- decide on the maturity terms of our assets and obligations.

In making such decisions, our senior management evaluates not only our exposure limits for each market segment and product, but also market volatility levels and the extent to which we are exposed to market risk through interest, maturity, liquidity and currency mismatches. It also considers other potential risks as well as the liquidity of the market, our institutional needs and perceived opportunities to profit. The committee holds extraordinary meetings as needed in response to unexpected macroeconomic changes.

In addition, our senior managers receive daily reports on our unmatched and open positions, and the treasury committee assesses our risk position weekly.

The following chart sets forth our consolidated interest-earning assets and interest-bearing liabilities:

	As of December 31,		
	2009	2008	2007
	<i>(R\$ in millions)</i>		
Interest-earning assets			
Interbank investments	110,797	74,191	37,623
Securities and derivatives financial instruments	146,619	131,598	114,452
Restricted deposits – Brazilian Central Bank ⁽¹⁾	9,452	8,006	15,061
Loans	151,506	139,962	115,766
Leasing operations	21,468	20,538	8,208
Total interest-earning assets	439,842	374,295	291,109
Interest-bearing liabilities			
Savings deposits	44,162	37,769	32,813
Time and interbank deposits	91,248	98,112	36,090
Federal funds purchased and securities sold under agreement to repurchase	113,273	79,977	73,634
Issuance of securities	7,483	9,011	6,488
Borrowings	8,005	14,205	8,066
Local	1	1	1
Foreign	8,005	14,204	8,065
Onlendings	19,323	17,744	15,343
Local	19,322	17,743	14,086
Foreign	1	1	1,257
Technical provision for insurance, private pension plans and savings bonds	75,572	64,587	58,526
Total interest-bearing liabilities	359,066	321,404	230,959
Excess of interest-earning assets over interest-bearing liabilities	80,776	52,891	60,150

(1) As of December 31, 2009, we also had R\$10.2 billion in additional compulsory deposits classified as securities and in interbank investments.

Liquidity

Our general policy is to maintain adequate liquidity to ensure that we can meet our present and future financial obligations and to capitalize on business opportunities as they arise. We retain liquid funds in order to honor withdrawals of deposits, to make repayments at maturity of other liabilities, to extend loans or other forms of credit to our customers and to meet our own working capital needs.

Our primary sources of liquidity are provided by:

- our deposit base (demand deposits, savings deposits, interbank deposits and time deposits); and
- short and long-term borrowings, part of which are denominated in foreign currencies.

Total deposits accounted for 33.8%, 36.2% and 28.8% of our total liabilities and shareholders' equity as of December 31, 2009, 2008 and 2007, respectively. See "— Funding". In addition, we could access funds from the Central Bank in extraordinary situations, although we have never utilized this source of liquid funds.

We have various liquid assets, including cash and cash equivalents, short-term and marketable investments and interbank accounts. We have used our excess liquidity to invest in marketable securities and intend to continue to do so in the future, subject to regulatory requirements and investment considerations.

Our Treasury Department acts as a support center for our different business units by managing our funding and liquidity positions, as well as operating as an independent profit center. Its responsibility is to set rates in relation to our products, including foreign exchange transactions and interbank transactions. We believe that our Treasury Department is able to maximize the efficient use of our deposit base by investing any surplus in liquid instruments in the interbank market.

In addition to managing our liquidity, our Treasury Department acts as an independent profit center within Banco Bradesco. We currently rely on a conservative policy for our trading and positioning activities, although we intend to put in place defined limits for such activities in the near future to facilitate our Treasury Department's operations.

Interest Rate Sensitivity

We seek to manage our assets and liabilities to reduce the potential adverse impact on gross income from financial intermediation that might result from changes in interest rates. Interest rate sensitivity is the relationship between market interest rates and gross income from financial intermediation due to the repricing of assets and liabilities. For any given period, the repricing structure is said to be matched when an equal amount of assets and liabilities reprice in such period. Any excess of assets or liabilities results in a gap. A negative gap denotes liability sensitivity and normally means that we have a potential liquidity risk in respect of such excess liabilities. A positive gap denotes asset sensitivity and normally means that a decline in interest rates would have a negative effect on net financial intermediation income while an increase in interest rates would have a positive effect on net financial intermediation income.

Foreign Currency Position

Our foreign currency position arises primarily through our purchases and sales of foreign exchange contracts (primarily U.S. dollars) with Brazilian exporters and importers, other financial institutions on the interbank market or on the spot and forward currency markets. Our foreign exchange position is reported on a daily basis to the Central Bank. See "Brazilian Financial Services Industry and Regulations — Bank Regulations". Our foreign currency liabilities are mainly related to foreign currency borrowings and resources from the issuance of securities in the international capital markets. Such proceeds are entirely allocated to U.S. dollar-linked credit operations and investments in securities. As a result, our foreign currency assets are equivalent to our total foreign currency liabilities plus the net assets of our foreign branches. See "Risk Factors — Risks Relating to Banco Bradesco and the Brazilian Banking Industry".

Capital Expenditures

In the past six years, we have made, and expect to continue to make, significant investments in improving our infrastructure, information technology and telecommunications. These improvements and innovations are designed to maintain and expand our technology infrastructure in order to increase our productivity, accessibility and cost efficiency. Specifically, we have made significant investments in systems development, data processing equipment and other technology designed to further these goals. These expenditures are for systems and technology for use both in our own operations and by customers.

During the year ended December 31, 2007, we made investments in infrastructure, information technology and telecommunications valued at R\$2.1 billion, of which R\$478 million was related to infrastructure and R\$1.6 billion to information technology and telecommunications services.

During the year ended December 31, 2008, we made investments in infrastructure, information technology and telecommunications valued at R\$2.7 billion, of which R\$667 million was related to infrastructure and R\$2.0 billion to information technology and telecommunications services.

During the year ended December 31, 2009, we made investments in infrastructure, information technology and telecommunications valued at R\$3.5 billion, of which R\$630 million was related to infrastructure and R\$2.8 billion to information technology and telecommunications services.

Capital Resources and Capital Adequacy

As of December 31, 2009, our net worth was R\$41.8 billion and our total assets were R\$506.2 billion.

In accordance with the provisions of the New Basel Capital Accord of June 2004, the Central Bank published CMN Resolutions Nos. 3,380 and 3,464, as amended, that set out rules in relation to the structures for operational and market risk management, respectively. The Central Bank also published Circulars no. 3,360, 3,361, 3,366, 3,368, 3,383, 3,388 and 3,389, which define the capital installment methodologies necessary for credit, market and operational risk, respectively, as well as CMN Resolution No. 3,444, as amended, and Resolution No. 3,490, which change the rules for the assessment of *Patrimônio de Referência* (or reference shareholders' equity) and the *Patrimônio de Referência Exigido* (or required reference shareholders' equity), respectively.

Central Bank Communications No. 12,746 of December 9, 2004, No. 16,137 of September 27, 2007 and No. 19,028 of October 29, 2009 establish the schedule for the implementation of the publication approved in June 2004 by the BIS entitled International Convergence of the Measurement and Capital Standards: A Revised Framework, commonly known as the "Basel II Agreement". According to the communication, implementation of the requirements must take place from 2009 through 2013, with particular attention given to the allocation of capital for operational risks and changes in capital allocation for credit risk (Pillar I). Furthermore, pursuant to CMN Resolution No. 3,490 of August 29, 2007 and Central Bank Circular No. 3,383 of April 30, 2008, the Central Bank requires banks to set aside a portion of their equity to cover operational risks (i.e., losses arising from failures, deficiency or inadequacy of internal proceedings, personnel or systems, including due to external events). This resolution became effective as from July 1, 2008, and the required portion of their equity varies from 12% to 15% of amounts representing averages of income arising from financial intermediation.

Accordingly, as of July 1, 2008, the domestic financial market started to operate under the New Basel Capital Accord rules standardized approach. The Central Bank has enacted rules, which shall become effective in 2010, to prepare domestic banks on how to address credit, market and operational risk. Brazilian financial institutions, including us, are required to maintain technical capital equal to at least 11% of total risk-weighted assets, calculated according to specific criteria set forth by the Central Bank. As of December 31, 2009, our level of technical capital on a consolidated financial basis, which excluded our non-financial subsidiaries, was 17.8% of total risk weighted assets, above the 11% level required by the Central Bank.

The following table sets out our regulatory capital allocation as of December 31, 2009:

	<u>Financial</u> <u>December 2009</u>	<u>Economic-Financial</u> <u>December 2009</u>
Credit Risk		
Products		
Loan Operations (Non-retail).....	9,709	9,688
Loan Operations (Retail).....	4,812	4,792
Guarantees Provided.....	4,014	4,021
Tax Credits.....	1,702	1,973
Loan Commitments.....	1,831	1,846
Securities Operations.....	3,589	5,242
Other Assets.....	7,246	5,485
Total Allocated.....	32,911	33,046
Market Risk		
Installments		
Interest Rate.....	290	290
Prefixed in <i>real</i>	123	123
Foreign Currency Coupon.....	20	20
Price Index Coupon.....	147	147
Interest Rate Coupon.....	—	—
Shares.....	37	37
Commodities.....	3	3
Exposure to Gold, Foreign Currency and Foreign Exchange ⁽¹⁾	—	—
Total Allocated.....	330	330
Operating Risk⁽²⁾		
Business Lines		
Corporate Finances.....	32	32
Trading and Sales.....	199	199
Retail.....	264	264
Commercial.....	295	295
Payments and Settlements.....	220	220
Financial Agent Services.....	42	42
Asset Management.....	72	72
Retails Brokerage.....	8	8
Total Allocated.....	1,133	1,133
Main Values		
PR.....	55,464	55,928
PRE.....	34,374	34,509
Margin (PR - PRE).....	21,090	21,419
Capital Adequacy Ration (Basel).....	17.7%	17.8%

(1) Exposure to gold, foreign currencies and assets and liabilities subject to foreign exchange rate variation stood 5% below of Reference Shareholders' Equity. Thus, according to the Central Bank Circular Letter 3,389, the capital allocation is equal to zero.

(2) Refers to the Financial Conglomerate. As of July 1, 2010, it will include the Economic-Financial Consolidated figures. As per Central Bank Circular Letter 3,383, a 0.80 multiplier on the amount ascertained for Operational Risk was applied as of July 01, 2009.

Funding

The following tables show the consolidated breakdown of our sources of funds by type as of December 31, 2009, 2008 and 2007:

	As of December 31,					
	2009		2008		2007	
	R\$	Percentage of Portfolio (%)	R\$	Percentage of Portfolio (%)	R\$	Percentage of Portfolio (%)
	<i>(R\$ in millions, except percentages)</i>					
Demand deposits.....	34,627	10.1	27,610	9.1	28,496	13.1
Savings deposits.....	44,162	12.9	37,769	12.4	32,813	15.0
Interbank deposits.....	752	0.2	698	0.2	372	0.2
Time deposits.....	90,496	26.4	97,414	32.0	35,717	16.4
Other deposits.....	1,036	0.3	1,003	0.3	925	0.4
Federal funds purchased and securities sold under agreement to repurchase	113,273	33.1	79,977	26.2	73,634	33.8

	As of December 31,					
	2009		2008		2007	
	R\$	Percentage of Portfolio (%)	R\$	Percentage of Portfolio (%)	R\$	Percentage of Portfolio (%)
	<i>(R\$ in millions, except percentages)</i>					
Borrowings						
Local	1	-	1	—	—	—
Foreign	8,005	2.3	14,205	4.7	8,065	3.7
Onlendings						
Local	19,322	5.6	17,743	5.8	14,086	6.5
Foreign	1	-	—	—	1,257	0.6
Issuance of securities.....	7,483	2.2	9,012	3.0	6,488	3.0
Subordinated debt.....	23,104	6.8	19,687	6.5	15,818	7.3
Total	342,260	100.0	305,119	100.0	217,673	100.0

Deposits include non-interest bearing demand deposits, deposits in saving accounts, interbank deposits and time deposits and other deposits. Expressed in *reais*, our total deposits amounted to R\$171.1 billion as of December 31, 2009, which represented a 4.0% increase from R\$164.5 billion as of December 31, 2008. Expressed in *reais*, deposits accounted for 50.0%, 53.9% and 45.2% of our total funding as of December 31, 2009, 2008 and 2007, respectively. The composition of our deposits has remained concentrated on time deposits, which accounted for 52.9% as of December 31, 2009, 59.2% as of December 31, 2008 and 36.3% as of December 31, 2007 of total deposits, and on deposits in savings accounts, which accounted for 25.8% as of December 31, 2009, 23.0% as of December 31, 2008 and 33.4% as of December 31, 2007 of total deposits.

Demand Deposits. Demand deposits (checking accounts) are a non-interest bearing source of funds for us which, as of December 31, 2009, totaled R\$34.6 billion, attributable to approximately 20.9 million checking accountholders. See “Brazilian Financial Services Industry and Regulations — Bank Regulations”.

Savings Deposits. Our savings deposits (*cadernetas de poupança*) are interest-bearing deposit accounts and totaled R\$44.2 billion as of December 31, 2009. As of such date, we had approximately [●] million savings accounts and the largest market share in this type of deposits among private sector Brazilian banks. Savings accounts in Brazil earn interest at a rate mandated by the Central Bank, which is currently 6.17% per year, plus the Brazilian reference rate for savings accounts (*Taxa Referencial*) (“**TR**”).

The Central Bank also provides a line of credit, funded from the mandatory deposit with the Central Bank of part of each savings deposit, to fund shortfalls if an extraordinary fall in the number of savings accounts occurs. We have never used this line of credit. Demand and savings deposits up to approximately R\$60,000 per depositor are guaranteed by the Credit Guarantee Fund against loss from bankruptcy of the deposit-taking institution.

Interbank Deposits. We issue CDIs to other financial institutions in the interbank market. CDIs generally have maturities of up to 30 days, with those issued by us, like those issued by most Brazilian banks, typically having a maturity of one day. Generally, we do not fund ourselves to a material extent in the CDI market as we have alternative sources of funds available. CDIs constituted 0.2% of our funding as of December 31, 2009. In the past, we have issued CDIs for specific purposes, for example to match-fund our overnight loans to major corporations (so-called “hot-money” loans) to take advantage of arbitrage opportunities between the spreads on our CDIs and those of other banks and as a cash management tool to take advantage of the one day settlement period in the CDI market.

Time Deposits. Time deposits, which consist of certificates of deposit issued by us to corporate customers and individuals (known as *certificados de depósitos bancários*, or CDBs), totaled R\$90.5 billion as of December 31, 2009. CDBs issued by us bear either a fixed rate of interest or a floating rate of interest. We hedge our exposure to interest rate movements on our fixed rate CDBs by entering into short-term derivative contracts.

Federal Funds Purchased and Securities Sold Under Agreement to Purchase. We also obtain funding through our open market investment funds, principally deposits subject to sale and repurchase agreements executed between us and other financial institutions, mutual funds, fixed-income funds, equity funds or foreign investment funds. Under these transactions, we sell government or private fixed-income securities and simultaneously agree to repurchase them. The funds obtained by us from such operations as of December 31, 2009 amounted to R\$113.3 billion.

Security repurchases are usually overnight transactions represented by book entries cleared through the SELIC, the custody and clearing system for governmental securities. Trading in these securities contributes to our liquidity and when we identify arbitrage opportunities among the different markets in which we operate, we may utilize funds from such sales of securities to take advantage of these opportunities.

Borrowings. We have credit facilities provided by a number of foreign correspondent banks mainly to fund our trade finance activities. Through our offices in Brazil and abroad, we maintain relationships with several U.S., European, Asian and Latin American financial institutions which provide us with credit lines of which we had drawn R\$8.0 billion as of December 31, 2009.

Onlendings. We act as financial agent for BNDES, onlending special purpose funding obtained from BNDES to targeted groups of borrowers. In these circumstances, we borrow funds from BNDES and onlend those funds at a spread determined by BNDES to the particular sector of the economy at which a Brazilian Government policy or initiative is aimed. The lending decision and application of lending criteria are controlled by us, within certain parameters, which may be set by BNDES. Since our lending is principally to the private sector, we assume the risk for the loans we onlend. Our policy is to access these funds only if they are sought specifically by a borrower for a project falling within the guidelines for the applicable source of funding. As of December 31, 2009, we had R\$19.3 billion outstanding in domestic and foreign onlendings.

Senior Notes. Since 1999, we have launched several public Eurobond issues under our medium term note program, all of which constitute our senior debt. As of December 31, 2009 the total principal amount of outstanding Eurobonds was approximately U.S.\$100 million. Management believes that the financing costs of these issues were comparable to those obtained by the largest Brazilian banks for similar transactions. The net proceeds of these securities were mainly onlent to customers pursuant to CMN Resolution No. 2,770, as amended.

Subordinated Notes. We have also issued subordinated notes with 10-year tenors, in the amounts of U.S.\$150 million maturing in 2011, JP¥17.5 billion (equivalent to U.S.\$133.2 million) maturing in 2012, U.S.\$500 million maturing in 2013, EUR225 million (equivalent to U.S.\$275.9 million) maturing in 2014 and U.S.\$750 million maturing in 2019. In June 2005, the issuer issued perpetual non-cumulative junior subordinated securities in the amount of U.S.\$300 million.

Asset-backed Securities. Additionally, since August 20, 2003, we raised funds through the issuance by International Diversified Payment Rights Company, a special purpose company, of eight series of asset-backed securities in an aggregate amount of U.S.\$2.5 billion, comprising: (i) U.S.\$200 million Series 2003-1 Fixed Rate Notes rated “A” by S&P, and “A1” by Moody’s; (ii) U.S.\$200 million Series 2003-2 Floating Rate Notes rated on the issue date “AAA” by S&P and “Aaa” by Moody’s Investor Service which series has the benefit of a financial guaranty insurance policy; (iii) U.S.\$100 million Series 2004-1 Fixed Rate Notes rated “AA” by S&P and “A1” by Moody’s, which series also has the benefit of a financial guaranty insurance policy; (iv) U.S.\$250 million Series 2007-1 Floating Rate Notes rated “A” by S&P and “A1” by Moody’s, which series also has the benefit of a financial guaranty insurance policy; (v) U.S.\$250 million Series 2007-2 Floating Rate Notes rated “A” by S&P and “A1” by Moody’s; (vi) U.S.\$200 million Series 2007-3 Floating Rate Notes rated “A” by S&P and “A1” by Moody’s; (vii) U.S.\$200 million Series 2007-4 Floating Rate Notes rated “A” by S&P and “A1” by Moody’s; (viii) U.S.\$500 million Series 2008-1 Floating Rate Notes rated “A” by S&P; (ix) U.S.\$500 million Series 2008-2 Floating Rate Note rated “A” by S&P; (x) U.S.\$100 million Series 2009-1 Floating Rate Notes rated “A” by S&P and “A1” by Moody’s; (xi) U.S.\$75 million Series 2009-2 Floating Rate Note rated “A” by S&P; (xii) U.S.\$75 million Series 2009-3 Fixed Rate Note rated “A” by S&P; and (xiii) U.S.\$50 million Series 2009-4 Fixed Rate Note rated “A” by S&P. These notes are secured by U.S. dollar payments to be received by us which are notified to us via a SWIFT MT100 series payment order. On August 22, 2005, International Diversified Payment Rights Company redeemed in whole the U.S.\$200 million Series 2003-2 Floating Rate Notes in consideration for our payment of the applicable redemption price.

Funds from Issuance of Securities. Funds from issuance of securities are mainly related to securities issued abroad (with an outstanding principal amount of R\$4.3 billion as of December 31, 2009), debentures issued by our leasing affiliates (with an outstanding principal amount of R\$740 million as of December 31, 2009), letters of credit for agribusiness (with an outstanding principal amount of R\$1.6 billion) and mortgage notes (with an outstanding principal amount of R\$899 million as of December 31, 2009).

Credit Portfolio

As a leading private sector commercial bank, substantially all of our credit operations are related to the private sector. As of December 31, 2009, 2008 and 2007 99.2%, 99.4% and 99.3%, respectively, of our outstanding loans and leases were to private sector businesses, primarily engaged in industrial, commercial, service or rural activities, and to individuals, primarily in connection with vehicles financing (direct consumer credit and leasing operations), credit cards operations and consumer loans.

Expressed in *reais*, our consolidated credit portfolio (including advances on foreign exchange contracts) amounted to R\$191.0 billion as of December 31, 2009, which represented a 6.1% increase from R\$180.0 billion as of December 31, 2008, which represented in turn a 37.1% increase from R\$131.3 billion as of December 31, 2007 (in 2007, the total credit portfolio would amount to R\$ 137.1 billion including receivables relating to credit cards).

The major categories of assets included in our consolidated credit portfolio are reflected in the following tables:

Composition of our Credit Portfolio

	As of December 31,		
	2009	2008	2007
	<i>(R\$ in millions)</i>		
Loan operations.....	151,506	139,962	115,765
Public sector.....	1,574	840	764
Private sector.....	149,932	139,122	115,001
Leasing operations.....	21,468	20,539	8,209
Advances on foreign exchange contracts ⁽¹⁾	5,602	9,846	6,782
Other credits ⁽²⁾	12,412	9,608	551
Total credit portfolio.....	190,989	179,955	131,307
Allowance for loan losses.....	(16,313)	(10,263)	(7,825)
Net credit portfolio.....	174,676	169,692	123,482

(1) Advances on foreign exchange contracts are recorded as a discount to other liabilities.

(2) Other credits comprise receivables on purchase of assets, credit instruments receivables, income receivables on foreign contracts, receivables arising from export contracts and receivables relating to credit cards. In 2007, it did not include receivables relating to credit cards (cash and credit purchases from storeowners). Considering this item, the total portfolio would amount to R\$ 137.1 billion.

Credit Portfolio by Activity Area

	As of December 31,					
	2009		2008		2007	
	<i>(R\$ in millions, except percentages)</i>					
Public sector.....	1,621	0.8%	941	0.6%	901	0.7%
Private sector.....	189,368	99.2%	179,014	99.4%	130,406	99.3%
Manufacturing.....	40,553	21.2%	44,260	24.6%	31,400	23.9%
Commerce.....	26,106	13.7%	23,547	13.1%	18,724	14.3%
Financial intermediation.....	828	0.4%	1,236	0.7%	1,050	0.8%
Services.....	38,521	20.2%	35,122	19.5%	24,135	8.4%
Agriculture, cattle raising, fishing, forestry and forest exploration.....	2,439	1.3%	2,246	1.2%	1,623	1.2%
Individuals.....	80,922	42.4%	72,603	40.3%	53,474	40.7%
Total.....	190,989	100.0%	179,955	100.0%	131,307⁽¹⁾	100.0%

(1) Including receivables relating to credit cards (cash and credit purchases from storeowners). In 2007, it did not include receivables relating to credit cards (cash and credit purchases from storeowners). Considering this item, the total portfolio would amount to R\$ 137.1 billion.

Our lending and leasing strategy is to focus primarily on providing credit to industrial and commercial businesses. A majority of our lending consists of discounts of trade receivables (*desconto de duplicatas*) and other types of financing to corporate customers.

As of December 31, 2009, our largest corporate customer represented 1.0% of our credit portfolio, and our 10 largest corporate customers represented 6.1% of our credit portfolio.

Our loans to manufacturing and commercial businesses are primarily of short-term maturities (those having a tenor of less than 360 days) and medium-term maturities, due to market conditions. These loans are predominantly for working capital to large corporate entities for terms ranging from 30 to 90 days. In addition to working capital advances, the principal forms of short-term lending are discounting of trade receivables, vendor arrangements and “hot-money” loans of one to two day maturities to large corporate customers. Our loans to manufacturing and commercial businesses totaled R\$66.7 billion, R\$67.8 billion and R\$50.1 billion as of December 31, 2009, 2008 and 2007, respectively. See “Business — Banking — Consumer Credit Operations”.

The following table presents a breakdown of our consolidated credit portfolio in *reais* and other currencies (not including advances on foreign exchange contracts) by remaining maturities:

	As of December 31,					
	2009 ⁽¹⁾		2008 ⁽¹⁾		2007 ⁽²⁾	
	R\$	% of Portfolio	R\$	% of Portfolio	R\$	% of Portfolio
	<i>(R\$ in millions, except percentages)</i>					
Remaining maturity						
Denominated in local currency	170,601	92.0%	156,248	91.9%	112,453	90.3%
Up to 1 year	102,387	55.2%	93,298	54.9%	69,066	55.5%
More than 1 year	68,213	36.8%	62,950	37.0%	43,387	34.8%
Denominated in other currencies	14,785	8.0%	13,861	8.1%	12,072	9.7%
Up to 1 year	6,105	3.3%	5,456	3.2%	6,297	5.1%
More than 1 year	8,680	4.7%	8,405	4.9%	5,775	4.6%
Total	185,386	100.0%	170,109	100.0%	124,525	100.0%

(1) Including receivables relating to credit cards (cash and credit purchases from storeowners).

(2) Not including receivables relating to credit cards (cash purchase and credit purchases from storeowners).

Our medium-term and long-term lending to industry and commerce has increased as a result of the stabilization of the economy since mid-1994. We seek to finance the modernization, competitiveness and technical improvement of the industrial and commercial sectors. See “Business — Banking — Consumer Credit Operations”.

We are involved in real estate loans to the housing sector by providing loans to real estate developers and to individual home buyers. Our real estate loans increased from R\$5.4 billion as of December 31, 2008 to R\$7.0 billion as of December 31, 2009. See “Business — Banking — Consumer Credit Operations”.

Credit and leasing operations to individuals, which includes short-term advances and unsecured overdraft loans on checking and other transaction accounts to individuals, totaled R\$80.9 billion as of December 31, 2009. See “Business — Banking — Consumer Credit Operations”.

Our leasing operations primarily involve the leasing of cars, trucks, machinery, computers and equipment to the service, industrial and commercial sectors. Our lease financing increased by 4.5% from R\$20.5 billion as of December 31, 2008 to R\$21.5 billion as of December 31, 2009. See “Business — Financing — Leasing Operations”.

As of December 31, 2009, 6.3% of our outstanding loans consisted of loans to the rural sector, primarily to finance the cost of modernization and increase of productivity levels in the rural sector. Our lending activities to this sector have helped us maintain strong relationships in the rural communities in which our branches are located providing us with an important customer base in these communities for our other banking products and services.

Our loans to the agricultural sector are spread among a range of small, medium and large-sized businesses engaged in rural activities such as farming. Our rural loans increased by 11.6% from R\$10.7 billion as of December 31, 2008 to R\$12.0 billion as of December 31, 2009. See “Business — Banking — Consumer Credit Operations”.

Credit Approval Process and Review Policies

For a description of our credit approval and review policies, see “Business — Risk Management — Credit”.

Allowance for Loan Losses

We periodically adjust our allowance for loan losses based on our assessment of our loan portfolio, which includes our estimation of the probable losses on our loan and leasing portfolio at the end of each reporting period.

Determining the amount of the allowance for loan and leasing losses requires us to make judgments and assumptions regarding our loan portfolio, both on a portfolio and individual investment basis. When we review our portfolio as a whole, several factors can affect our estimate of the likely range of losses, including the methodology we use to measure historical delinquency rates and the historical period we consider in making those measurements. See “Brazilian Financial Services Industry and Regulations — Bank Regulations — Treatment of Overdue Debts”. Additional factors that can affect our determination of the allowance for loan losses include: (i) general Brazilian economic conditions and the condition of the relevant industry; (ii) past experience with the relevant debtor or industry, including any recent loss; (iii) credit quality trends; (iv) amounts of loan collateral; (v) volume, composition and growth of our loan portfolio; (vi) COPOM’s monetary policy; and (vi) delays in the receipt of information needed to evaluate loans or to confirm existing credit deterioration.

We use models to assist us in analyzing our loan portfolio and in determining what is an appropriate allowance for loan losses. Although we frequently revise and improve our models, they are by their nature dependent on our judgment and on the information and estimates that we receive. Accordingly, our allowance for loan losses may not be indicative of future charge-offs. We believe that the amount of, and changes in, our allowance for loan losses, viewed as a percentage of the total portfolio, is consistent with our historical experience, delinquency ratios, charge-offs and net losses.

As of December 31, 2009, our ratio of allowance for loan losses to total loans and leases was 8.5%, as compared with 5.7% and 6.0% as of December 31, 2008 and 2007, respectively. See “—Effects of Macroeconomic Factors on Our Lending and Treasury Activities”.

The following table shows the total lending and leasing operations, including advances on foreign exchange contracts, and allowance for our loan losses for the years ended December 31, 2009, 2008 and 2007 and the amount of provisions and recoveries recorded during the periods then ended:

	As of December 31,		
	2009⁽¹⁾	2008⁽¹⁾	2007⁽²⁾
	<i>(R\$ in millions, except percentages)</i>		
Total of Lending and Leasing Operations	190,989	179,955	131,307
Allowance.....	16,313	10,263	7,825
As a percentage of:			
Total of lending and leasing operations	8.5	5.7	6.0
Amount of provisions recorded for the periods.....	12,937	7,884	5,498
Recoveries.....	1,695	1,242	882

(1) Including receivables relating to credit cards (cash and credit purchases from storeowners).

(2) Not including receivables relating to credit cards (cash purchase and credit purchases from storeowners). Considering this item, the total portfolio would amount to R\$ 137.1 billion.

For information on Central Bank requirements with respect to such loans see “Brazilian Financial Services Industry and Regulations — Bank Regulations — Treatment of Overdue Debts”.

BUSINESS

The following section replaces “Business” beginning on page B-73 of the Base Prospectus.

The Bank

We believe that we are one of the largest private-sector (non-government controlled) banks in Brazil in terms of total assets as of December 31, 2009. We provide a wide range of banking and financial products and services to individuals, small to mid-sized companies in Brazil and abroad, and major local and international corporations and institutions. We believe that we have the most extensive private sector branch and service network in Brazil, which permits us to reach a diverse customer base. We have the largest market share in the Brazilian insurance market according to SUSEP. Our services and products encompass banking operations such as lending and deposit-taking, credit card issuance, consortium management, insurance, leasing, payment collection and processing, pension plans, asset management, and brokerage services.

For information on other private sector and government-controlled financial institutions in Brazil, see “Brazilian Financial Services Industry and Regulations — Principal Financial Institutions”.

As of December 31, 2009, we had, on a consolidated basis:

- R\$506.2 billion in total assets;
- R\$191.0 billion in total loans;
- R\$171.1 billion in total deposits;
- R\$41.8 billion in shareholders’ equity;
- R\$75.6 billion in technical reserves for insurance, pension plans (including VGBL) and certificated savings bonds;
- R\$25.1 billion of foreign trade financing;
- 26.3 million insurance policyholders;
- 20.9 million checking accountholders;
- 37.7 million savings accounts;
- 2.5 million certificated savings bonds holders;
- 2.0 million pension plans holders;
- 1,213 Brazilian and multinational companies in Brazil as customers;
- a nationwide network consisting of 3,454 branches (including branches of our subsidiaries), 30,657 ATMs, 4,112 special banking service posts and electronic service outlets located on the premises of selected corporate customers and 6,067 Banco Postal booths; and
- four branches and seven subsidiaries located in New York, the Cayman Islands, the Bahamas, Tokyo, Buenos Aires, Hong Kong, London and Luxembourg.

Although our customer base includes individuals of all income levels as well as large, mid-sized and small businesses, lower- to middle-income Brazilian citizens have traditionally formed the backbone of our clientele.

Since the 1960s, we have been a leader in the mid-sized retail banking market in Brazil. This segment still has great potential for growth and provides us with higher margins than other segments, such as corporate credit operations and securities trading, where we face greater price competition.

Our large banking network allows us to be closer to our customers, which, in turn, permits our managers to have personal and direct knowledge of our customers, economically active regions and other conditions relevant to our business. This knowledge helps us in assessing and limiting credit risks in credit operations, among other risks, as well as in servicing the particular needs of our customers.

We organize our operations into two main areas: (i) banking services; and (ii) insurance supplementary pension plans and certificated savings bonds services.

The following table provides summary information for our two main business areas as of and for the year ended December 31, 2009:

Banking Services⁽¹⁾	Insurance, Supplementary Pension Plans and Certificated Savings bonds
<ul style="list-style-type: none"> • Deposit-taking activities • Credit operations • Credit and debit card services • Leasing operations • Capital markets services • International banking • Asset management • Consortium services 	<ul style="list-style-type: none"> • Life and personal accident insurance • Health insurance • Automobile insurance • Property insurance • Casualty insurance • Supplementary pension plans, including individual and corporate plans • Certificated savings bonds

(1) Our banking services business includes those services we provide to: financial institutions; holding companies primarily engaged in financial management; credit card management companies; and asset management companies.

As of December 31, 2009, except as indicated, according to the sources cited below, we believe that we were:

- the leader among private sector banks in savings accounts deposits, with 17.7% of all savings accounts deposits in Brazil, according to the Central Bank;
- the leader in BNDES onlending special purpose funding to individuals and small and medium-sized businesses, according to BNDES as of November 2009;
- the largest provider of insurance, supplementary pension plans and certificated savings bonds on a consolidated basis in terms of net premiums written and revenues from supplementary pension plans and certificated savings bonds as of December 2009 (preliminary data), according to SUSEP;
- one of the leaders in leasing operations in Brazil, with a leasing portfolio of R\$21.5 billion at present value according to *Associação Brasileira das Empresas de Leasing* (the Brazilian Association of Leasing Companies) (“**ABEL**”);
- one of the leading underwriters in the placement of debt instruments in Brazil, having participated in 38.6% of the issuances of debt and equity instruments registered with the CVM during 2009, according to the CVM;
- one of the largest private-sector fund and portfolio managers in Brazil, with approximately R\$247.7 billion in total third-party assets under management, representing over 16% of the total Brazilian market according to *Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais* (the Brazilian Financial and Capital Markets Association) (“**ANBIMA**”);

- in our belief, one of the largest credit card issuers in Brazil, with 79.6 million credit cards issued (Visa, American Express, Mastercard and private label cards);
- in our belief, one of the largest debit card issuers in Brazil, with 53.3 million debit cards issued, according to *Associação Brasileira das Empresas de Cartões de Crédito e Serviços* (the Brazilian Association of Credit Card Companies and Services) (“**ABECS**”);
- the leader in payment processing and collection in Brazil, with a market share of 29.7% according to the Settlement System of the Central Bank;
- the leader in sale of real estate, automobile, truck and tractor consortium quotas according to the Central Bank; and
- one of the leaders in automobile financing loans, with a market share of 19.7% according to the Central Bank.

The following table summarizes our gross revenues by business area for the periods indicated:

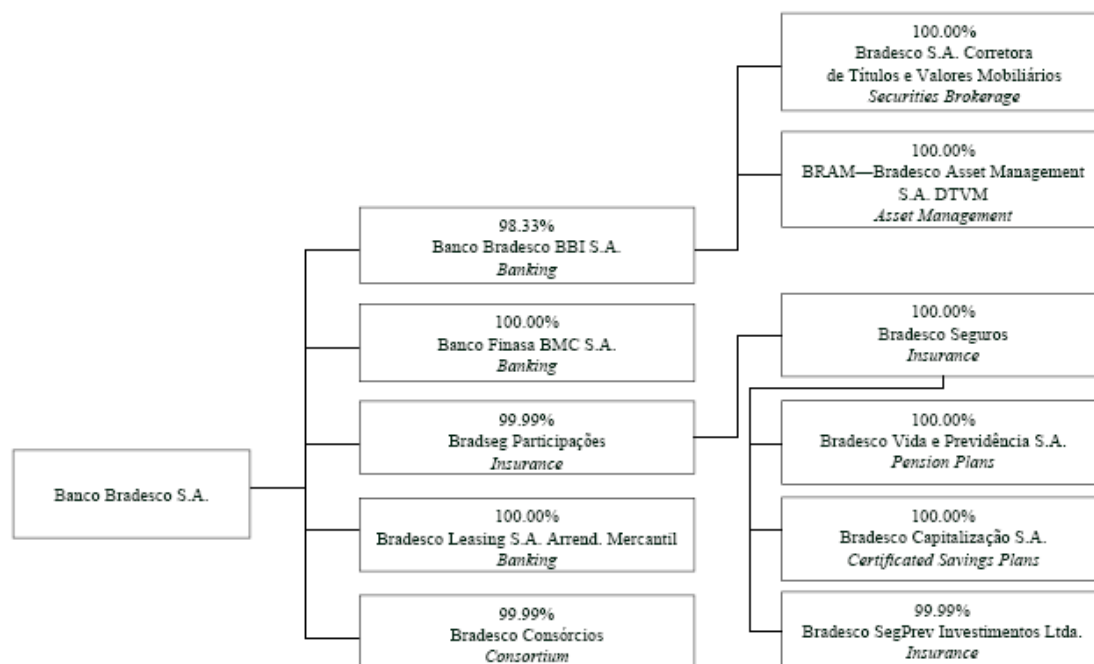
	For the Year Ended December 31,	
	2009	2008
	<i>(R\$ in millions)</i>	
Banking		
Lending		
Housing loans.....	662	528
Rural loans.....	846	1,013
Leasing	3,456	2,398
Other loans ⁽¹⁾	29,860	28,321
Total	34,823	32,261
Income from services		
Asset management fees.....	1,601	1,570
Collection fees.....	997	974
Credit card fees	3,374	3,035
Fees charged on checking account services.....	2,181	2,265
Credit Operations	1,588	1,584
Fees for receipt of taxes	256	238
Interbank fees	351	318
Other services.....	1,263	878
Total	11,611	10,862
Total banking	46,434	43,123
Insurance and pension plans		
Insurance ⁽²⁾	11,672	10,183
Pension plans income ⁽³⁾	12,447	10,941
Capitalization	1,991	1,700
Total insurance and pension plans	26,110	22,824

(1) Includes industrial loans, financing under credit cards, overdraft loans, trade financing, foreign loans and financial assets or transfer.

(2) Retained premiums from insurance.

(3) Private pension plans contribution.

The following is a simplified chart showing our principal material subsidiaries in the banking and insurance services businesses and our voting and ownership interest in each of them as of December 31, 2009. For more information regarding the consolidation of our material subsidiaries, see notes 2 and 13 to our financial statements as of and for the year ended December 31, 2009.



History

We were founded on March 2, 1943 as a commercial bank under the name of Banco Brasileiro de Descontos S.A. In 1948 we began a period of aggressive expansion which led to us becoming the largest private sector commercial bank in Brazil by the end of the 1960s. We expanded our activities nationwide during the 1970s, entering into urban and rural Brazilian markets.

In 1988, we merged our banking business with our real estate finance, investment bank and consumer credit subsidiaries to become a multiple-service bank and changed our name to Banco Bradesco S.A.

Competitive Strengths

We believe that the following strengths will allow us to continue to grow while maintaining and improving our return on capital:

- *A Brazilian market leader in all of our principal market segments.* We believe that we are one of the largest private-sector (non-government controlled) banks in Brazil in terms of total assets as of December 31, 2009. We are also the largest provider of insurance and supplementary pension plans in Brazil in terms of net insurance premiums written and revenues from supplementary pension plan contributions as of November 30, 2009, according to SUSEP. Market leadership provides us with strong brand recognition and market presence, economies of scale and the ability to offer a full range of financial services and products.
- *One of the most extensive private sector branch networks in Brazil.* We have one of the most extensive private sector branch networks in Brazil with 3,454 branches (including branches of our subsidiaries), 30,657 ATMs, 4,112 special banking service posts and electronic service outlets located on the premises of selected corporate customers and 6,067 Banco Postal booths as of December 31, 2009, which enables us to stay close to our customers and provide them with a portfolio of financial products from our various business segments, including banking, insurance and asset management.
- *Strong capitalization with multiple funding sources.* As of December 31, 2009, we had a risk based capital ratio of 17.8% on a consolidated financial basis, which excluded our non financial

subsidiaries, compared to the minimum risk based capital ratio of 11.0% required by the Central Bank and calculated in accordance with the capitalization regulations of the Central Bank. Including our non financial subsidiaries, we had a capital ratio of 17.8% as of December 31, 2009. Our principal funding sources are time deposits, federal funds purchased and securities sold under agreement to repurchase, demand deposits and savings deposits.

- *Conservative credit management with deep market knowledge.* Our position as a market leader has permitted us to maintain what we consider to be a conservative policy of credit management. Only 4.6% of our loans fell within the Central Bank's "H" credit classification category, the lowest category as of December 31, 2009. Our loan approval process benefits from the information available from Brazilian credit agencies as well as our internal databases and the knowledge of our employees.
- *Brazilian bank with long history of stable and professional management.* We believe that our identity as a domestic bank gives us significant advantages in terms of market image and experience. Our Executive Officers are highly qualified and have experienced several economic and financial cycles, reflecting our commitment to stability and to growing our talent from within. We believe that this translates into advantages in terms of managerial focus, consistency of strategy and reliability of performance.
- *Historically strong presence across a broad range of segments in the Brazilian market.* We have a consolidated universal position across all Brazilian banking segments and offer a range of products and benefits from existing distribution channels, including our traditional branch network, as well as from our expanding internet banking and mobile banking services. Our business is supported by comprehensive and sophisticated IT framework that consolidates our expanding supply of banking and insurance products.

Business Strategy

Our main objective is to consolidate our position as a leading private full service financial institution in the Brazilian market, increasing our profitability, maximizing our shareholders' value and generating an above-average return in comparison with other Brazilian financial institutions. The key elements of our business strategy are to:

- expand through organic growth in our core business areas;
- increase product penetration and client base through cross-selling;
- increase banking revenues, profitability and shareholders value by strengthening our traditional operations and expanding new ones;
- build on the business model of a large banking institution with a major insurance subsidiary (the "**bank-insurance model**"), to maintain our profitability and consolidate our leadership in the insurance sector;
- maintain our commitment to technological innovation;
- increase profitability and shareholders' return through improving efficiency;
- maintain acceptable risk levels in our operations; and
- expand through strategic alliances and pursue selective acquisitions when advantageous.

Expand through organic growth in core business areas

We believe that the Brazilian economy is fundamentally sound and will, over time, produce strategic opportunities for growth in the financial and insurance industries. We plan to take advantage of these opportunities when they arise to increase our revenue and profitability and maximize shareholders value by:

- capitalizing on opportunities in the Brazilian market to capture new customers with credit and financial needs, and to compete for the small stratum of customers in the upper-income brackets;
- expanding our financial services distribution channels by developing new, non-traditional products, such as our credit cards and store credit cards offered through alliances with the stores and the rendering of services through Banco Postal;
- taking advantage of our existing distribution channels, including our traditional branch network and newer internet technologies, to identify demand for new products;
- using our branch-based systems aimed at assessing and monitoring our customers' use of our products so as to channel them to the proper selling, delivery and servicing platforms;
- offering our products and services more widely to our customer base; and
- developing a diverse product base tailored to the needs of both our existing and potential customers.

Increase banking revenues, profitability and shareholders' value by strengthening our traditional operations and expanding new ones

We are focused on increasing the revenues and profitability of our banking operations by:

- expanding our traditional deposit-taking and lending activities by improving the quality of our portfolio through risk mitigation plans and the more stringent application of credit standards to our potential customers through credit granting ratings;
- expanding our corporate and individual customer base by offering services tailored to individual customer's needs;
- focusing on fee-based services, such as payment collection and processing, and marketing them to existing and potential corporate customers;
- expanding our financial services and products that are distributed outside the conventional branch network, such as our credit card businesses, capitalizing on changes in consumer behavior related to financial services;
- increasing our pension and asset management revenues; and
- continuing to build our base of high-income customers by offering a wide range of personalized products and services, with the goal of enhancing our asset management services.

Build on the bank-insurance model to maintain our profitability and consolidate our leadership in the insurance sector

Our goal is to have our customers looking to us to provide all their banking, insurance and pension needs. We believe that we are well positioned to capitalize on the synergies among banking, insurance, pension and other

financial activities cross-selling our traditional banking products and our insurance and pension products through our branch network and through our internet distribution services.

At the same time, we plan on growing our insurance and supplementary pension plan businesses, using as our measure of success levels of profitability instead of volume of premiums underwritten or amounts deposited, by:

- maintaining our existing policy of careful evaluation of vehicle insurance risks and declining insurance in cases where such risks are too high;
- aggressively marketing our products;
- maintaining acceptable levels of risk in our operations through a strategy of:
 - prioritizing insurance underwriting opportunities according to the risk spread, that is, the difference between the income expected under an insurance contract and the actuarially determined amount of claims likely to be paid under that contract;
 - entering into hedging transactions in order to avoid mismatches between the actual rate of inflation and provisions for interest rate and inflation adjustments in long-term contracts; and
 - entering into reinsurance agreements with well-known reinsurers through the *Instituto de Resseguros do Brasil* (the Brazilian Reinsurance Institute) (“**IRB**”) to reduce exposure to large risks.

Maintain our commitment to technological innovation

The development of efficient means of reaching customers and processing transactions is a key element of our goal to expand our profitability and capitalize on opportunities for organic growth. We believe that technology offers unparalleled opportunities to reach our customers in a cost-efficient manner. We are committed to being at the forefront of the bank automation process by creating opportunities for the Brazilian public to reach us through the internet. We expect to continue to increase the number of customers and transactions handled over the internet by techniques such as:

- installing internet access stations (WebPoints) in public places, enabling customers to reach our internet banking system whether or not they have access to a personal computer;
- expanding our mobile banking service (Bradesco Mobile Banking) which allows customers to conduct their banking business over the internet with compatible cellular handsets; and
- providing Pocket Internet Banking for hand held devices and Personal Digital Assistants (PDAs) that allow our customers to check their checking and savings accounts, review recent credit card transactions, make payments, transfer funds and obtain information relating to us and our services.

Increase profitability through efficiency

We intend to further improve our levels of efficiency by:

- maintaining austerity as the basis of our cost control policy;
- consolidating the synergies created by our recent acquisitions (See “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Certain Factors Affecting Our Financial Performance—Acquisitions and Joint Ventures”);

- continuing to reduce our operational costs through investments in technology that reduce our per-transaction operational costs and emphasizing our existing automated channels of distribution, including our telephone, internet and ATM distribution systems; and
- continuing to merge the back-office platforms of acquired institutions, into our existing system to eliminate overlaps and potential inefficiencies.

Maintain acceptable risk levels in our operations

We constantly identify and evaluate the level of risk associated with our operations by developing and maintaining adequate controls, monitoring the procedures and efficiency of our capital expenditures, and aiming to achieve and maintain international standards and competitive advantages.

Expand through strategic alliances and pursue selective acquisitions when advantageous

We continually evaluate potential strategic alliances and consolidation opportunities, including proposed privatizations and acquisitions, as well as other methods that offer potential opportunities either to increase our market share or to improve our efficiency. In addition to focusing on value and asset quality, we consider the potential operating synergies, opportunities for cross-selling, acquisition of know-how and other advantages of a potential alliance or acquisition. Nonetheless, our analysis of prospective opportunities is guided by the impact they would have on our results.

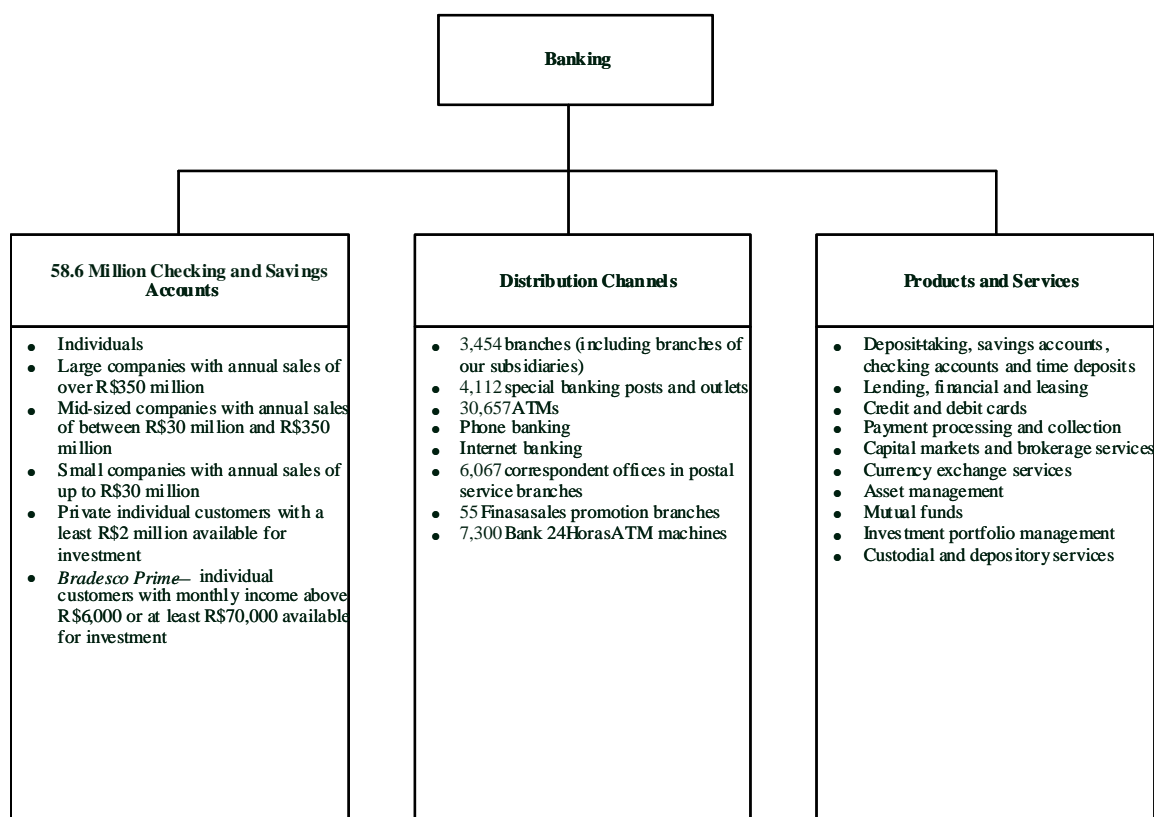
Banking

We offer a range of banking products and services, including:

- deposit-taking operations, such as checking and savings accounts and time deposits;
- lending operations, including consumer lending, housing loans, industrial loans and leasing;
- credit and debit card services;
- payment processing and collection;
- capital markets services, including underwriting and financial advisory services, brokerage and trading activities;
- international banking;
- asset management services; and
- consortium services.

Our diverse customer base includes both individuals and large, mid-sized and small companies in Brazil. Historically, we have cultivated a stronger presence among the broadest segment of the Brazilian market, consisting primarily of middle- and low-income individuals. In the 1990s, we expanded our focus to corporations and high-net-worth individuals to complement our traditional market. Since 1999, we have developed our Corporate Department, which serves our corporate customers that have annual revenues of R\$350.0 million or more, and a Private Banking area, which serves individual customers who have a minimum of R\$2.0 million available for investment. In 2002, we created Bradesco Empresas which is responsible for mid-sized corporate customers that have annual income between R\$30.0 million and R\$350.0 million, targeting the middle corporate market sector. In May 2003, we launched “Bradesco Prime,” a new division of Bradesco that offers services to individual customers who have either income of at least of R\$6,000 per month or R\$70,000 available for immediate investment. Bradesco Varejo is our division responsible for the corporate customers that have an annual income lower than R\$30.0 million and the individual customers that have a monthly income lower than R\$6,000.

The following diagram shows the principal elements of our banking activity as of December 31, 2009:



Deposit-Taking Activities

We offer a variety of deposit products and services to our customers through our branches, including:

- checking accounts, which do not bear interest;
- investment deposit accounts;
- traditional savings accounts, which currently earn the TR reference rate, plus 6.2% per year;
- time deposits, which are represented by CDBs, and earn interest at a fixed or floating rate; and
- deposits from financial institutions, which are represented by certificates of interbank deposits (“CDIs”) which earn the interbank deposit rate.

As of December 31, 2009, we had 20.9 million checking account holders, of which 19.7 million were individuals and 1.2 million were corporate or business account holders, and 33.7 million savings accounts. As of December 31, 2009, deposits (excluding deposits from financial institutions) totaled R\$170.3 billion. As of that date, we had a 17.7% share of the Brazilian savings deposit market, according to Central Bank information.

The following tables set forth a breakdown by product type of our deposits as of the dates indicated.

	As of December 31,			
	2009		2008	
	<i>(R\$ in millions, except percentages)</i>			
Deposits from Customers				
Demand deposits	34,627	20.2%	27,610	16.8%
Brazilian currency	34,137	20.0%	27,284	16.6%
Foreign currency	490	0.3%	326	0.2%

	As of December 31,			
	2009		2008	
	<i>(R\$ in millions, except percentages)</i>			
Savings deposits	44,162	25.8%	37,769	23.0%
Brazilian currency	44,162	25.8%	37,769	23.0%
Foreign currency	—	—	—	—
Time deposits	90,496	52.9%	97,414	59.2%
Brazilian currency	85,180	49.8%	91,697	55.7%
Foreign currency	5,316	3.1%	5,717	3.5%
Other deposits	1,036	0.6%	1,003	0.6%
Total deposits from customers	170,321	99.6%	163,795	99.6%
Deposits from financial institutions	752	0.4%	698	0.4%
Brazilian currency	730	0.4%	695	0.4%
Foreign currency	22	0.0%	3	0.0%
Total	171,073	100.0%	164,493	100.0%

We offer our customers some additional special services, such as:

- the *Conta Fácil* (or Easy-Checking Account), a combination of checking account and savings account in which, after the lapse of a pre-set period (the length of which is determined by regulation), deposited funds earn interest at the same rate as our savings accounts, unlike our ordinary checking accounts, which earn no interest;
- identified deposits, which allow our customers to identify deposits made in favor of a third-party through the use of a personal identification number; and
- real-time banking transfers between our customers' checking accounts and savings accounts, including transfers to accounts at other banks.

Credit Operations

The following tables set forth a breakdown by product type of our credit operations in Brazil, in each case as of the dates indicated:

	As of December 31,	
	2009	2008
	<i>(R\$ in millions)</i>	
Discounted trade receivables and loans ⁽¹⁾	86,808	77,541
Financing	52,730	51,702
Agricultural and agribusiness financing	11,968	10,720
Subtotal	151,506	139,963
Leasing operations	21,468	20,537
Advances on foreign exchange contracts ⁽²⁾	5,603	9,846
Subtotal	178,577	170,346
Other receivables ⁽³⁾	12,412	9,609
Total loan operations	190,989	179,955

(1) Includes financing of credit card operations and operations for prepaid credit card receivables in the amount of R\$10.8 billion as of December 31, 2009 and R\$8.4 billion as of December 31, 2008.

(2) Advances on foreign exchange contracts are recorded as a reduction of the item "Other Liabilities".

(3) The item "Other Receivables" comprises receivables on sureties and guarantees honored, receivables on purchase of assets, securities and credit instruments receivable, income receivable on foreign exchange contracts, receivables arising from export contracts and receivables relating to credit cards (cash and credit purchases from storeowners) in the amount of R\$9.8 billion as of December 31, 2009 and R\$6.5 billion as of December 31, 2008.

Discounted trade receivables and loans

Our discounted trade receivables and loans, which consist primarily of consumer credit operations, corporate lending and credit cards, totaled R\$86.8 billion as of December 31, 2009 representing 45.5% of our credit portfolio.

Consumer Credit Operations

We provide a significant volume of personal loans to individual customers, which diminishes the impact of any single loan on the performance of our portfolio and helps to build customer loyalty. Such loans consist primarily of:

- short-term loans, extended by our branches to holders of our checking accounts and, within certain limits, through our ATM network, which had an average maturity of four months and on which interest accrued at an average rate of 6.16% per month as of December 31, 2009;
- automobile financing loans, which had an average maturity of 15 months and on which interest accrued at an average rate of 1.88% per month as of December 31, 2009; and
- overdraft loans on checking accounts, which are, on average, repaid in one month and carried interest rates varying from 7.57% to 8.24% per month as of December 31, 2009.

We also provide revolving credit loan facilities and traditional term loans. As of December 31, 2009, we had outstanding advances, automobile financings, consumer loans and revolving credit loans in an aggregate amount of R\$41.2 billion. This consumer lending represented approximately 21.6% of our credit portfolio as of that date. On the basis of loans outstanding as of that date, we had a 12.8% share of the Brazilian consumer loan market according to information published by the Central Bank.

We have made strategic acquisitions and entered into operational agreements with retailers and consumer financing institutions in 2007, 2008 and 2009 (see “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Certain Factors Affecting Our Financial Performance — Acquisitions and Joint Ventures”) as part of our strategy to extend our presence in the consumer financing segment of the Brazilian market.

Banco Finasa BMC, our consumer financing subsidiary, focuses on providing consumers with financing for the purchase of vehicles, other goods, payroll deductible loans and personal loans. Finasa Promotora de Vendas Ltda. (Finasa Promotora) is responsible for identifying new customers and preparing credit proposals. As of December 31, 2009, Finasa Promotora had 55 branches established nationwide and relationships with numerous business partners.

Micro Credit

Since August 2003, we have extended micro credit to low income individuals and small companies. These loans are made in accordance with Central Bank regulations requiring that banks direct 2.0% of their checking account deposits to such credit transactions. As of December 31, 2009, we had 42,785 micro credit loans totaling R\$22.9 million outstanding, representing 0.01% of our credit portfolio.

In accordance with Central Bank regulations, the loans have a maximum effective interest rate of 2% per month, except for loans to small companies used exclusively to increase production, which have a maximum effective interest rate of 4% per month. The relevant CMN regulations provide that the maximum amount lent to any borrower is limited to R\$1,000 for individuals, R\$3,000 for individuals using such funds for investment in business ventures and for small companies using such funds for general purposes and R\$15,000 for small companies using such funds exclusively to increase production.

Corporate Lending

We provide traditional loans for the ongoing needs of our corporate customers. We had approximately R\$63.0 billion of outstanding corporate loans, accounting for approximately 33.0% of our credit portfolio, as of December 31, 2009. We offer a variety of lending options to our Brazilian corporate customers, including:

- short-term loans of 29 days or less;
- working capital loans to cover our customers’ cash needs;

- guaranteed checking accounts;
- revolving credit lines;
- discounting of trade receivables; and
- merchandise financing.

These lending products generally bear an interest rate of between 1.4% and 7.2% per month.

Credit Cards

We issued Brazil's first credit cards in 1968, and as of December 31, 2009, we believe that we were one of the largest independent credit card issuers in Brazil, having issued 79.6 million credit cards and private label cards. We offer Visa, American Express, Mastercard and private label credit cards to our customers.

Through our partnership with the American Express, we have successfully marketed and operated American Express branded credit cards throughout Brazil. We are the exclusive issuer of cards from the Centurion line, which include features such as the Membership Rewards Program. We continue to manage a network of accredited establishments supporting American Express credit cards.

Fidelity Processadora e Serviços S.A., created jointly by the association of Fidelity National Information Services, Inc., Banco ABN AMRO Real S.A., or Banco Real (now merged into Banco Santander (Brasil) S.A.), and Bradesco, is considered one of Brazil's largest providers of services related to the processing of financial information, management of customer service centers and provision of general support and back office services.

We earn revenues from our credit card operations through:

- fees on purchases paid by commercial establishments;
- issuance/annual fees;
- interest on credit card balances and advances;
- interest on cash advances through ATMs; and
- interest on cash advances to cover future payments owed to commercial establishments and service providers that accept Visa credit cards.

We offer our customers several types of credit cards and related services, including:

- credit cards restricted to use in Brazil;
- credit cards accepted both nationwide and internationally;
- credit cards directed toward high-net-worth customers, such as Gold and Platinum Visa, American Express and MasterCard brands;
- cards that combine the features of a credit card and a debit card. Holders of these cards can use them to carry out traditional banking transactions as well as to purchase goods;
- chip-embedded credit cards, which allow holders to use passwords instead of signatures;
- corporate credit cards accepted both nationwide and internationally;

- co-branded credit cards, which we offer through partnerships we have with traditional companies, such as airlines, newspapers, magazines and automobile companies, among others;
- affinity credit cards, which we offer through organizations, such as sports clubs and non-governmental entities;
- cards to corporate customers' employees who hold salary accounts with us (known as *Cred Mais*) offering more attractive interest rates for revolving credit; Cred Mais INSS, focusing on retirees and pensioners and offering lower interest rates;
- private label cards, which we only offer to customers of retailers, designed to increase business and build customer loyalty for the corresponding retailer;
- gift cards, a pre-loaded card which can be given as a gift to individuals;
- *SMS — Serviço de Mensagem Bradesco* (Bradesco messaging service) which allows the bearer to receive a message on their cell phone as soon as a credit card transaction is made;
- *CPB — Cartão Passagem Bradesco*, created to assist corporate customers with the management and control of air ticket expenses;
- Bradesco Transportation Card, able to function as both prepaid and debit cards, aimed at transportation companies, shipping companies, risk management companies and truck drivers;
- Credit Cards Blue, featuring a modern design with special benefits to American Express cardholders;
- FixCard, with a reduced interest rate and flexibility in planning monthly payments;
- Flex Car Visa Vale Card, a prepaid card for the payment of automobile related expenses, such as fuel and parking charges;
- unemployment insurance protection that can be used to pay credit card bills in the event of either loss of employment or temporary incapacity; and
- we also launched an option allowing cardholders to finance their outstanding balance in 12 fixed installments.

The following table sets forth a breakdown of the quantity of cards we issued, the revenues we have received from these cards and the numbers of transactions executed with these cards for the years indicated:

	As of December 31,	
	<i>(In millions of cards)</i>	
	2009	2008
Quantity of Cards		
Credit Cards ⁽¹⁾	79.6	35.3
Debit Cards.....	53.3	48.0
Total	132.9	83.3

	As of December 31,	
	<i>(R\$ in billions)</i>	
	2009	2008
Revenues		
Credit Cards ⁽¹⁾	55.3	46.7

	As of December 31,	
	2009	2008
	<i>(In millions of transactions)</i>	
Number of Transactions		
Credit Cards ⁽¹⁾	722.6	607.4

(1) Includes pre-paid and private label cards.

On June 30, 2009, we announced the partial sale of our interest in the capital stock of Cielo (formerly VisaNet) as part of its secondary share offering, generating a pre-tax profit of R\$2 billion. On July 7, 2009, we announced an additional sale of our interest in the capital stock of Cielo (formerly VisaNet) as part of the over-allotment option granted to the underwriters, generating a pre-tax profit of R\$410 million. Following these sales, we held a total of approximately 362.4 million common shares of Cielo (formerly VisaNet), corresponding at that time to 26.56% of its capital stock.

Debit Cards

We began issuing debit cards in 1981 under the name Bradesco Instantâneo. Beginning in 1999, we converted all our Bradesco Instantâneo debit cards into new cards called Bradesco Visa Electron cards. Customers who hold Bradesco Visa Electron debit cards can use them to make purchases at merchants and obtain advances from terminals of the Bradesco Day and Night network in Brazil and the Plus Visa network worldwide. The amount paid is withdrawn from the cardholder's Banco Bradesco account, eliminating the inconvenience and bureaucracy of a check.

Financing

Our financing operations, which consist primarily of real estate financing and onlending of BNDES loans, totaled R\$52.7 billion as of December 31, 2009, representing 27.6% of our credit portfolio.

Real Estate Financing

As of December 31, 2009, we had 43,231 residential mortgage loans outstanding. As of December 31, 2009, our aggregate outstanding principal amount of residential mortgage loans amounted to R\$7.0 billion, representing 3.6% of our credit portfolio. Our residential mortgage loans have a stated maturity of up to 30 years for residential loans through the *Sistema Financeiro Habitacional* (the Housing Financial System) ("SFH") or through the *Carteira Hipotecária Habitacional* (the Mortgage Housing Financial Portfolio) ("CHH") and up to 10 years for residential loans through the *Carteira Hipotecária Comercial* (the Mortgage Commercial Financial Portfolio) ("CHC"). Residential loans through SFH and CHH bear annual interest rates of 8.9% to 11.9% plus TR, respectively. Residential loans through CHC bear annual interest rates of 14% plus TR. Residential loans through SFH with monthly fixed installments bear annual interest rates of 12.85%.

Our loans to individuals for the completion of residential construction contemplate a 24 month period for the completion of the construction, with a repayment period of up to 30 years and bear an annual floating interest rate of TR plus 10.9% for loans through the SFH or an annual fixed interest rate of 12.85% for properties valued at up to R\$500,000.

We also extend financing to corporate customers through SFH. These loans, which are for construction, typically have maturities of up to 36 years and repayment begins within three years after the completion of the construction. We make these loans on a floating-rate basis of TR plus 12% per year during the construction stage (SFH portfolio) and TR plus 15% per year after construction has been completed (CHH portfolio).

Central Bank regulations require us to provide a minimum amount of residential real estate financing equal to at least 65.0% of the balance of our savings accounts. Amounts that can be used to satisfy this requirement include, in addition to direct residential real estate financings, mortgage notes, charged-off residential real-estate loans and certain other financings, all as specified by the Central Bank. We generally do not finance more than 80.0% of the

purchase price or the market value of a property, whichever is lower. See “Brazilian Financial Services Industry and Regulations — Bank Regulations”.

Onlending

Our onlending portfolio totaled R\$19.3 billion, representing 10.1% of our credit portfolio as of December 31, 2009. According to BNDES, we onlent R\$8.8 billion to our customers in 2009, 45.7% of which were to small and medium-sized businesses.

The Brazilian Government has a program to provide government funded long term loans with below market interest rates to sectors of the economy that it has targeted for development. Under this program, we borrow funds from either BNDES or FINAME. We then onlend these funds to borrowers in targeted sectors of the economy. We determine the spread on the loans based on the borrowers’ credit. The onlending, which is at our risk, is always secured. According to BNDES, we are the biggest onlending financial institution of BNDES loans, which we lend primarily to small corporate customers in the industrial sector.

Agricultural and Agribusiness Financing

As with housing loans, Central Bank regulations establish an obligation to extend rural sector credits. Current Central Bank regulations require us to direct at least 30.0% of our checking account deposits to provide rural credit. If we do not meet the 30.0% minimum requirement, we must deposit the unused amount in a non-interest-bearing account with the Central Bank.

Our loans to the rural sector are financed by our compulsory deposits with the Central Bank and our own resources. As of December 31, 2009, we had rural loans outstanding totaling R\$12.0 billion, representing 6.3% of our credit portfolio. In accordance with Central Bank regulations, we provide loans using funds from our compulsory deposits at a fixed rate, which, as of December 31, 2009, was 6.75% *per annum*. The maturity of these loans generally matches the cycle of the corresponding crop. As security for such loans, we generally obtain a mortgage of the land where the activity being financed is conducted.

Leasing Operations

According to ABEL, as of December 31, 2009, our leasing operations carried out through Bradesco Leasing S.A. Arrendamento Mercantil, our main leasing company, and Banco Finasa were one of the largest private leasing operations in Brazil, as measured by the discounted present value of the leasing portfolio. According to ABEL, the aggregate present value of the leasing portfolios of leasing companies in Brazil on December 31, 2009 was R\$110.3 billion, of which we had a market share of 19.4% (including the leasing portfolios of Banco Alvorada S.A. and Banco Bradesco S.A. Arrendamento Mercantil).

As of December 31, 2009, we had approximately 793,970 outstanding leases with an aggregate value of R\$21.5 billion, representing 11.3% of our credit portfolio.

The Brazilian leasing market is dominated by large banks and companies affiliated with vehicle producers, both domestic and foreign-owned. Brazilian lease contracts generally relate to motor vehicles, computers, industrial machinery and other equipment.

Most of our leases are financial (as opposed to operational) leases, and our leasing operations primarily involve the leasing of cars, trucks, aircraft and heavy machinery. As of December 31, 2009, approximately 85.9% of the outstanding leases carried out by Bradesco Leasing S.A. Arrendamento Mercantil and Banco Finasa were automobile leases compared to 86.9% for the Brazilian leasing market as a whole.

We obtain funding for our leasing operations primarily through the issuance of debentures and notes in the domestic markets. As of December 31, 2009, Bradesco Leasing had R\$46.3 billion of debentures outstanding in the domestic market maturing up to 2025.

Terms of Leasing Agreements

Financial leases represent a source of medium and long term financing for Brazilian customers. Under CMN Resolution No. 2,309, dated August 28, 1996, as amended, the minimum term of financial leasing contracts is 24 months for transactions with respect to goods with an average life of five years or less, and 36 months for transactions with respect to goods with an average life greater than five years. There is no legally imposed maximum term for leasing contracts. As of December 31, 2009, the average life of our leasing portfolio outstanding was 47 months.

Payment Processing; Collections and Third-Party Resource Management

Payment and Collections Solutions

In Brazil, the majority of consumers pay their bills in person at bank branches or at ATMs. Accordingly, we offer our corporate customers payment collection and processing services through our branch network, our special banking service posts and electronic service outlets, Banco Postal and our electronic channels.

We also have a strong presence in the public sector, and offer tailored products and solutions to federal, state and local entities, which have access to a dedicated portal in our website (www.bradescopoderpublico.com.br).

Our revenues for these services come from the fees we charge for our payment collection and processing services, as well as from the interest we earn on funds before we remit them to the companies.

Some payment and receiving solutions that we offer to our customers are:

Tax and Utility Collections; Payments to Social Security Beneficiaries

As of December 31, 2009, we processed 413.9 million tax payments, utility bills and payments to beneficiaries of the social security system. As of December 31, 2008, we processed 383.2 million tax payments, utility bills and payments to beneficiaries of the social security system.

Check-Custody Services

We offer our corporate and individual customers custody services for post-dated checks they receive. Post-dated checks are a term payment option frequently used in Brazil, particularly in the retail and supermarket sectors. Under this system, customers pay for merchandise and services with post-dated bank checks which the seller deposits on an agreed-upon date, effectively allowing payment over a long term. We offer customers who use our check-custody service electronic data capture, which increases the operational security of the system, as well as various alternatives for receiving advances using such instruments, such as by discounting a check or by accepting it as collateral for working capital loans.

Payment Services

We offer our corporate customers electronic payment services which allow them to make payments and electronic transfers to their suppliers and creditors, as well as pay taxes and public utility bills. Our processing of payments and transfers increased 19.8% from 214.2 million as of December 31, 2008 to 256.6 million as of December 31, 2009.

Third-Party Administrative Services

We offer our corporate customers several administrative services, including payroll processing, employee checking accounts (or salary accounts), the salary card, for employees who do not have accounts at Bradesco, and the corporate card, for the payment of business trips and travel agency expenses, among other expenses. Our employees receive their salaries through this system, they may take advantage of various services, including overdraft

protection and access to a broad ATM network. We earn revenues from these services through fees paid by our corporate customers.

Capital Markets and Investment Banking Services

Our subsidiary Banco Bradesco BBI S.A. (“**Bradesco BBI**”) is primarily responsible for the development of investment banking services related to structured finance, mergers and acquisitions, project finance as well as origination and distribution of equity and debt instruments.

Underwriting Services

We have been an important underwriter of domestic debt and equity in Brazil for more than ten years. As of December 31, 2009, according to ANBIMA, we ranked:

- second in the origination of debt instruments, with a total value of R\$7.0 billion; and
- third in the distribution of debt instruments, with a total value of R\$2.1 billion.

During 2009, we coordinated the placement of R\$24.1 billion in equity and debt instruments, representing 38.62% of the issuances registered with the CVM during the period.

Advisory Services

We offer our customers investment advisory services with respect to asset backed investment funds, mergers and acquisitions, project financings, privatizations and corporate restructurings.

Brokerage and Trading Services

Through our wholly-owned subsidiary Bradesco S.A. Corretora de Títulos e Valores Mobiliários (“**Bradesco Corretora**”), we trade futures, options and corporate and Brazilian Government securities on behalf of our customers on the BM&FBOVESPA. Bradesco Corretora’s customers include high-income individuals, large corporations and institutional investors. Bradesco Corretora also offers investment analysis services, providing market performance reports, portfolio advice and stock guides.

During 2009, Bradesco Corretora traded in excess of R\$77.8 billion in equities and, according to the BM&FBOVESPA, was ranked eleventh in Brazil in terms of trading volume.

During 2009, Bradesco Corretora traded approximately 4.2 million futures, swaps, options and other contracts, with a total value of approximately R\$364.2 billion, on the BM&FBOVESPA. According to the BM&FBOVESPA, Bradesco Corretora was ranked twenty-third in the Brazilian market, in terms of the number of options, futures and swaps contracts executed.

In 2008, Bradesco Corretora was one of the first to implement DMA, a direct market access platform that allows investors to place orders directly on the BM&FBOVESPA electronic trading system.

Bradesco Corretora offers its customers the ability to trade securities via the internet through Bradesco Home Broker. In 2009, trading through Bradesco Home Broker totaled R\$28.2 billion, according to the BM&FBOVESPA, the fifth largest such service on the Brazilian market. In July 2005, Bradesco Corretora launched the Tesouro Direto (Direct Treasury) Program, whereby an individual customer is allowed to invest in securities issued by the Brazilian federal government via the internet. In 2005, Bradesco Corretora received the “Goodpriv@cy” certification for protection and privacy of its customers and users’ data in its securities trading system via the internet through Bradesco Home Broker.

Bradesco Corretora also offers the service of acting as the representative of non-resident investors in transactions carried out in the financial and capital markets, in accordance with the terms of CMN Resolution No. 2,689 of January 26, 2000, as amended.

Qualified Services for Capital Markets

We believe we are, by means of our Custody and Registrar Department, one of the main suppliers of qualified services for capital markets. With a modern infrastructure and specialized team, we propose innovative solutions, expanding service options and generating operating flexibility for our clients. The Custody and Registrar Department provides qualified services for capital markets related to the bookkeeping of assets: registered shares, Brazilian Depositary Receipts (“**BDRs**”), investment fund quotas, CRIs and debentures; qualified custody of securities; custody of shares for coverage of American Depositary Receipts (“**ADRs**”); custody and representation for foreign investors; controllership of investment funds and managed portfolios; fund administration; offshore funds; depositary and clearing agent.

As of December 31, 2009:

- our System for Registered Shares had 236 companies, with a total of over 3 million shareholders, participating;
- our System for Registered Debentures had 93 companies, with a total market value of R\$126.3 billion, participating;
- our System for Registered Quotas had 124 investment funds, with a market value of R\$15.7 billion, participating;
- we administrated three BDR registered programs, with a market value of R\$155.2 million;
- we had R\$562.9 billion in assets under management for customers of Bradesco Custody services (funds, portfolios, receivables funds, depositary receipts);
- 8,288 investment funds and portfolios used our NAV calculation and accounting services, with net worth of R\$625.1 billion; and
- we acted as custodian for thirteen ADR registered programs, with a market value of R\$84.6 billion.

International Banking

As a private commercial bank, we offer a range of international services such as exchange transactions, foreign trade financing, lines of credit and offshore banking activities in general. As of December 31, 2009, our financial overseas facilities consisted of:

- in New York City, our branch and our subsidiary brokerage firm Bradesco Securities Inc. (“**Bradesco Securities U.S.**”);
- in the Cayman Islands, our two branches and our subsidiary Cidade Capital Markets Ltd. (“**Cidade Capital Markets**”);
- in the Bahamas, our branch;
- in Argentina, our subsidiary Banco Bradesco Argentina S.A. (“**Bradesco Argentina**”);
- in London, our subsidiary Bradesco Securities UK Ltd. (“**Bradesco Securities UK**”);

- in Hong Kong, our subsidiary Bradesco Trade Services Limited (“**Bradesco Trade Services**”);
- in Luxembourg, our subsidiary Banco Bradesco Luxembourg S.A. (“**Bradesco Luxembourg**”); and
- in Japan, our subsidiary Bradesco Services Co. Ltd. (“**Bradesco Services Japan**”).

As of December 31, 2009, our international operations were coordinated by our international department and supported by twelve specialized units in Brazil, in addition to thirteen platforms operating in Brazil’s principal exporting and importing centers.

Foreign Branches

Our foreign branches are principally engaged in sourcing funds in the international markets, which are then mainly extended to our Brazilian trade-finance customers. Our branches also take deposits in foreign currency from corporate and individual customers and extend credit to Brazilian and non-Brazilian customers. The assets of our foreign branches excluding transactions between related parties totaled US\$ 18.0 billion as of December 31, 2009.

Our foreign branches periodically issue debt securities, thereby assisting us in gaining access to the international capital markets. In addition to short term financings obtained from international banks for foreign trade financing, our foreign branches, together with our principal office in Brazil, raised U.S.\$1.4 billion during 2009, through public and private placements of medium and long term securities.

Our access to the international capital markets diversifies our sources of foreign currency-denominated funding. Like most Latin American companies, however, our access to funding through such issuances and our ability to diversify our sources of foreign currency-denominated funding are and will continue to be subject to domestic and international market conditions and investors’ and international lenders’ perceptions of emerging market risk generally.

Foreign Subsidiaries

Bradesco Argentina. Aiming at expanding our operations in Latin America, in December 1999 we established our subsidiary Bradesco Argentina. Bradesco Argentina’s general purpose is to extend financing, largely to Brazilian companies established in Argentina and, to a lesser extent, Argentine corporate customers doing business in Brazil. As of December 31, 2009, its total assets were R\$85.0 million.

Bradesco Luxembourg. In January 2002, we acquired Mercantil Luxemburgo. In April 2002 we acquired Banque Banespa International S.A. of Luxembourg and changed its name to Banco Bradesco Luxembourg S.A. In September 2003 we merged Banco Bradesco Luxembourg S.A. and Mercantil Luxemburgo under the name of Banco Bradesco Luxembourg S.A. Bradesco Luxembourg provides customized services to private banking customers. On December 31, 2009, its total assets were R\$1.149 million.

Bradesco Services Japan. In October 2001, we incorporated Bradesco Services Japan to provide specialized services to the Brazilian community in Japan, including remittances to Brazil and advice regarding investments within Brazil. On December 31, 2009, its total assets were R\$476.1 thousand.

Bradesco Securities, Inc. Our wholly-owned subsidiary, Bradesco Securities U.S. is a broker-dealer in the United States. Its focus is on facilitating the purchase and sale of shares, primarily ADRs, for Brazilian customers, on facilitating Bradesco investing activities in the United States and on offering general support to foreign investments in Brazil. The company is also authorized to deal in bonds, commercial paper and deposit certificates, among other securities, and to provide investment advisory services.

Bradesco Securities UK. Our wholly-owned subsidiary, Bradesco Securities UK is a broker-dealer in the United Kingdom. Its focus is on facilitating the purchase and sale of debt and shares of Brazilian companies to European and global institutional investors.

Cidade Capital Markets. In February 2002, we, through BCN, acquired Cidade Capital Markets Ltd., a Grand Cayman company, as part of our acquisition of its parent company Banco Cidade S.A. On December 31, 2009, our subsidiary Cidade Capital Markets had R\$65 million in assets.

Banking Operations in the United States. In January 2004, the United States Federal Reserve Bank authorized us to operate as a financial holding company in the United States. As a result we are permitted to operate in the United States market, directly or through a subsidiary, by, among other things, selling insurance, providing underwriting, private placement, portfolio management and merchant banking services, or managing mutual fund portfolios. We have already begun to offer these services in the United States.

Foreign Trade Financing

Our Brazilian foreign trade activities primarily consist of financing export and import transactions. In import financing, customers usually obtain funding in the form of foreign currency loans or letters of credit, which is linked to the receipt of a local currency payment from the importer equivalent to the amount of such credit facility. In export financing, exporters usually receive an advance in local currency upon the closing of the export contract, in exchange for an assignment of a foreign currency receivable due on the contract maturity date. Financings done prior to the shipment of the goods are called *Adiantamento Sobre Contrato de Câmbio* (Advances on Exchange Contracts), whereby the funds obtained are used in the production of the goods that will be exported. Financings done after the shipment of the goods, when the exporter is awaiting payment, are called *Adiantamento Sobre Contrato de Exportação* (Advances on Export Contracts) (“ACE”). Other types of existing financings include pre-payment of exports, BNDES-EXIM on-lending, *Notas de Crédito à Exportação*, *Cédulas de Crédito à Exportação* and *Descontos de Saque*.

Our foreign trade portfolio is primarily funded by credit lines with correspondent banks. We maintain relationships with several North American, European, Asian and Latin American financing institutions for this purpose, relying on our network of correspondent banks around the world, 83 of which had granted credit lines to us as of December 31, 2009.

As of December 31, 2009, the balances of our export and import financing transactions were R\$19.0 billion and R\$4.9 billion, respectively. During 2009, the volume of our foreign exchange contracts for imports reached U.S.\$24.7 billion, a 10.3% increase over 2008 and the volume of our foreign exchange contracts for exports reached U.S.\$37.9 billion, a 11.7% decrease over 2008. Based on Central Bank information, as of December 31, 2009, our market share of foreign exchange contracts for exports was 25.2%, and our market share of foreign exchange contracts for imports was 18.4%.

We present below the foreign trade portfolio as of the date indicated:

	As of December 31, 2009	As of December 31, 2008
	<i>(R\$ in millions)</i>	
Export Financing		
Advances on Foreign Exchange Contracts — undelivered bills.....	4,838	10,302
Advances on Export Contracts — delivered bills	539	1,477
Prepayments.....	7,981	7,176
Onlending of funds borrowed from BNDES/EXIM	2,665	2,348
Notes and bills for exports — NCEs/CCEs	2,944	3,548
Others	83	2
Total Export Financing	19,050	24,853
Import Financing		
Foreign currency import loans.....	2,331	2,045
Exchange discounted in advance.....	1,165	1,380
Open import credits	1,387	1,243
Total Import Financing	4,883	4,668
Collateral		
Foreign collateral provided.....	1,118	1,799
Total Foreign trade portfolio	25,051	31,320

Other Foreign Exchange Products

In addition to trade financing, we provide other foreign exchange products and services, such as:

- purchasing and selling of foreign currency and traveler's checks;
- transferring money from or to abroad;
- accounts in Brazilian *reais* for foreign customers;
- collecting import and export receivables;
- cashing checks that are denominated in foreign currency; and
- structured transactions such as receivables securitizations.

Insurance, Supplementary Pension Plans and Certificated Savings Bonds

The following table sets forth selected financial data for our insurance, supplementary pension plans and certificated savings bonds segments for the periods indicated:

	As of December 31,	
	2009	2008
	<i>(R\$ in millions, except percentages)</i>	
Selected results of operations data:		
Insurance revenues ⁽¹⁾	11,895	10,509
Supplementary pension plan revenues (including VGBL)	12,447	10,940
Certificated savings bonds revenues	1,991	1,700
Insurance retained-claims	(8,329)	(7,391)
Supplementary pension plan (including VGBL) and life insurance redemption and payment of benefits	(8,770)	(8,680)
Redemption of certificated savings bonds	(1,747)	(1,466)
Operations ratios:		
Claims ratio ⁽²⁾	74.7%	74.3%
Selling ratio ⁽³⁾	9.7%	10.5%

(1) Premiums written – coinsurance premiums granted – refunded premiums.

(2) Retained claims/earned premiums.

(3) Selling expenses/earned premiums.

Insurance

We offer insurance products through a number of different entities, which we refer to collectively as Grupo Bradesco de Seguros e Previdência. Grupo Bradesco de Seguros e Previdência was the largest insurer in Brazil as of December 2009, based on revenues and technical reserves, according to information published by SUSEP and ANS. Grupo Bradesco de Seguros e Previdência provides a wide range of insurance products to companies and individuals in Brazil. It offers insurance products both on an individual basis and under contracts with corporations through which their employees are insured. Its products include health, life, personal accident and automobile insurance.

Health Insurance

Health and dental insurance insures policyholders for medical and dental expenses. As of December 31, 2009, our subsidiary Bradesco Saúde focusing on health and dental insurance had 4.3 million health and dental plan policyholders, including both holders who obtained their insurance through their corporate employers and holders who obtained it directly.

Bradesco Saúde provides one of the largest network of medical services providers in Brazil. As of December 31, 2009, such network included 10,440 laboratories, 12,367 specialized clinics, 15,744 physicians, 3,348 hospitals, 3,235 dental clinics and 9,646 dentists in Brazil.

Life and Personal Accident Insurance

Bradesco Seguros offers its term life insurance directly and through its subsidiaries. As of December 31, 2009, Bradesco Seguros had 19.4 million life insurance policyholders.

Automobile, Property and Liability Insurance

Bradesco Seguros offers automobile, property and liability insurance through its subsidiary Bradesco Auto/RE Cia. de Seguros (“**Bradesco Auto/RE**”). Bradesco Auto/RE’s automobile insurance covers policyholders’ losses resulting from vehicle theft, damage to vehicles, personal injury and injury to third parties. We offer retail-oriented property and casualty insurance to individuals and small and mid-sized corporate customers, which covers loss or damage to property, buildings and equipment. We are also able to provide tailor-made insurance policies for large corporate customers, such as insurance for specified risks as operational risk, civil liability, engineering risk, oil risk, among others.

As of December 31, 2009, Bradesco Auto/RE had 1.4 million automobile and approximately 1,163,000 insurance policies outstanding.

Sales of Insurance Products

We sell our insurance products through exclusive brokers in our branch network, as well as through other, non-exclusive brokers throughout Brazil. As of December 31, 2009, approximately 32,464 brokers offered our insurance and pension plan products to the public. We also offer certain automobile, health property and casualty insurance products through our website.

Pricing

Pricing of individual health and dental insurance policies in Brazil is driven by each individual insurance company’s statistical experience, considering factors such as number and geographic distribution of policyholders, frequency of claims and average medical and dental costs, as presented in the actuarial analysis.

Pricing for personal automobile insurance is influenced by the frequency and degree of severity of an individual’s claims, and takes into consideration various other factors, such as the location of the use of the vehicle and the year and model of the vehicle. Since April 2004, we follow the market practice which considers the customer’s profile in the pricing of automobile insurance. Before April 2004, contrary to market practice, we did not consider the customer’s profile in the pricing of automobile insurance.

The profitability of personal automobile insurance is partially dependent on the prompt identification and correction of disparities between premium levels and expected claim costs. Premiums charged for vehicle damage coverage reflect the value of the insured automobile and, accordingly, premium levels partially reflect the volume of new automobile sales.

Pricing in the retail-oriented property and casualty business is driven by claims’ frequency and average amount, as well as building specifications, location and undertaken activities in the property. Pricing is also driven by the specific aspects of the risk and, in some cases, by conditions determined by the IRB.

Reinsurance

Brazilian regulations set retention limits on the amount of risk insurance companies may underwrite. Pursuant to the regulations, Grupo Bradesco de Seguros e Previdência reinsures with IRB any risks it underwrites in excess of the

retention limits or risks that, by technical or actuarial determination, reinsurance is recommended in order to maximize the risks of our portfolio.

Grupo Bradesco de Seguros e Previdência reinsured approximately R\$223 million in insurance risks with IRB in 2009. Although the reinsurer is liable to the extent of the amount reinsured, the insurance companies that form the Grupo Bradesco de Seguros e Previdência group remain primarily liable as the direct insurers on all reinsured risks.

On January 15, 2007, the Brazilian Congress enacted the Supplementary Law No. 126, which ended the monopoly of IRB and opened the reinsurance market to competition in Brazil. The CNSP will be responsible for establishing the requirements to be met by reinsurance companies seeking to receive reinsurance assignments originated in Brazil.

On December 17, 2007, the CNSP enacted Resolutions Nos. 168 to 173, as amended, which authorized (i) Brazilian insurance companies to contract with foreign reinsurance companies, either by themselves or through brokers; and (ii) individuals or legal entities to contract with foreign insurance companies. On the same date, the CNSP established new rules applicable to reinsurance, retrocession (meaning a transaction whereby a reinsurer assigns to another reinsurer all or part of the reinsurance it has previously assumed) and intermediation activities, such as minimum capital requirements for Brazilian reinsurance companies operating in the Brazilian market, requirements for additional capital due to underwriting risks, rules and procedures regarding technical provisions and retention limits for Brazilian reinsurance companies and reinsurance brokerages.

The CNSP authorized the IRB to continue to provide reinsurance and retrocession services. However, IRB has been required to comply with the new regulations applicable to Brazilian reinsurance companies since December 31, 2008.

Supplementary Pension Plans

We began managing individual and corporate supplementary pension plans in 1981 through our wholly-owned subsidiary Bradesco Vida e Previdência, which is now the leading supplementary pension plan manager in Brazil as measured by pension plan contributions, investment portfolio and technical reserves, based on information published by the *Federação Nacional de Previdência Privada* (the National Federation of Private Pension Plans) (“FENAPREVI”) and SUSEP.

Bradesco Vida e Previdência offers and manages a range of individual plans and pension plans. Our largest individual plans in terms of equity are of the defined contribution type, including the VGBL and PGBL. VGBLs and PGBLs are pension plans and are also exempt from withholding taxes on income generated by the fund portfolio. Participants in these types of funds are taxed upon redemption of their shares or reception of benefits.

Brazilian law currently permits the existence of both open and closed supplementary private pension entities. Open supplementary pension entities are those available to all individuals and legal entities who, by means of a regular contribution, wish to subscribe to a benefit plan. Closed supplementary pension entities are those available to groups of people such as the employees of a specific company or group of companies in the same sector, professionals in the same field, or members of a union. Supplementary pension entities grant benefits or income based upon periodic contributions from their members, their respective employers or both.

Our revenues from supplementary pension plans and VGBL have risen by an average of 12.8% per year over the past five years, in large part due to increased sales of our products through our branch network.

We manage supplementary pension plans and VGBLs covering over 2.0 million participants, 68.8% of whom are members of individual plans, and the remainder of whom are individual members of corporate plans. Corporate plans account for 26.7% of our technical reserves.

Under VGBL, PGBL and *Fundo de Aposentadoria Individual* (“FAPI”) plans, participants are allowed to contribute either in installments or in lump-sum payments. Participants in PGBL and supplementary pension plans are released from the obligation to pay income taxes on amounts contributed to a plan, up to 12% of the participant’s gross

taxable income. Companies in Brazil can establish VGBL and PGBL plans for the benefit of their employees. As of December 31, 2009, Bradesco Vida e Previdência managed R\$35.1 billion in VGBL plans, R\$11.8 billion in PGBL plans and R\$19.2 billion in traditional pension plans.

Bradesco Vida e Previdência also offers pension plans to its corporate customers, most of which are tailored to the needs of a specific corporate customer.

Bradesco Vida e Previdência earns revenues primarily by charging:

- pension plan contributions and PGBL, as well as life insurance, personal accident and VGBL premiums; and
- revenues from management fees that are charged to policyholders in order to cover calculated technical provisions.

Certificated Savings Bonds

Through Bradesco Capitalização, we offer our customers certificated savings bonds, which are sold in accordance with the type of payment (i.e., single or monthly). Each savings bond has a nominal value from R\$8 to R\$20,000 and earns interest at the same rate as a savings account, the TR plus 0.5% per month. From time to time, we have prize drawings at which some holders of the certificated savings bonds win cash prizes of up to R\$2 million.

The certificated savings bonds are redeemable by the holder at the end of the grace period of 12 months. As of December 31, 2009, we had over 16.3 million certificated savings bonds outstanding and a customer base of 2.5 million.

Bradesco Capitalização was the first private savings bond company in the country to receive an ISO 9002 certificate from Fundação Vanzolini. This certificate was upgraded to NBR ISO 9001:2008 and re-certified in December 2008 based on the quality of Bradesco Capitalização's internal procedures and management. Bradesco Capitalização is the first company in its sector to receive a national rating of brAAA/Stable from Standard & Poor's.

Asset Management

We manage third-party assets for:

- mutual funds;
- individual and corporate investment portfolios;
- supplementary pension funds, including the assets guaranteeing the technical reserves of Bradesco Vida e Previdência S.A. ("**Bradesco Vida e Previdência**"); and
- insurance companies, including the assets guaranteeing the technical reserves of Bradesco Seguros S.A. ("**Bradesco Seguros**").

As of December 31, 2009, we had R\$247.7 billion in total assets under management, R\$174.6 billion of which were managed by Bradesco Asset Management and R\$73.1 billion of which were in third party funds related to the fiduciary administration, custodial and controlling services of BEM Distribuidora de Títulos e Valores Mobiliários Ltda., which we call "BEM DTVM".

As of December 31, 2009, our market share represented 16.6% of the total Brazilian market according to information published by ANBIMA. Revenue from our asset management division is recognized under the line item "Fees and Commissions" in our financial statements.

We offer a wide range of funds, including fixed income funds, floating rate funds and multi market funds, which are managed by specialized managers. As of December 31, 2009, we offered 960 funds and 209 portfolios to 3.2 million investors. We currently do not offer any highly leveraged funds.

The following tables set forth the net assets of our funds, the number of customers and the number of funds and customer portfolios as of the dates indicated:

	Distribution of Assets⁽¹⁾	
	As of December 31,	
	2009	2008
	<i>(R\$ in millions)</i>	
Investment Funds		
Fixed Income	201,012	155,365
Floating Rate.....	23,999	10,797
Third-Party Fund Quotas	5,641	4,857
Subtotal.....	230,652	171,019
Customer Portfolios		
Fixed Income	8,590	8,484
Floating Rate.....	7,552	6,881
Managed Portfolio-Third-Party Fund Quotas	906	767
Subtotal.....	17,048	16,132
Total.....	247,700	187,151
	Number of	Number of
	Funds/Portfolios	Funds/Portfolios
Funds	960	807
Portfolios	209	209
Total (Funds and Portfolios)	1,169	1,016

(1) According to data used for the preparation of AMBIMA's global ranking of Third Party Asset Managers.

We market our asset management products through our branch network, our telephone banking service and through our internet-based investment site, Bradesco Home Broker.

Bradesco Consórcios

In January 2003, Bradesco Consórcios Ltda. (“**Bradesco Consórcios**”) began offering consortium quotas to both our customers and non-customers, targeting all income brackets. The purpose of this venture is to manage consortia formed by consumer and corporate purchasers of automobiles, trucks, tractors, agricultural machinery and real estate properties. Under the relevant consortium terms, the full purchase price of one vehicle or real estate property to be purchased by each member of the consortium is split equally among them and is payable on a monthly basis so that each month, title to a vehicle or piece of real estate in question is delivered to one member of the consortium (determined by a lottery system). Since May 2004, December 2004 and October 2008, Bradesco Consórcios has been the leader in the real estate, automotive and truck segments, respectively. As of December 31, 2009, we managed 395,611 consortium quotas.

Treasury Activities

We have a single treasury for all of our and our subsidiaries' activities. Our treasury enters into transactions, including derivative financial instruments transactions, mainly for hedging purposes (the so-called “macro hedge”), in accordance with limits set forth by our risk management area utilizing a value-at-risk methodology.

Distribution Channels

We have one of the largest private-sector banking networks in Brazil. Our branch network is complemented by alternative distribution channels such as special banking service posts and electronic service outlets on the premises

of selected companies, ATMs, telephone banking services, and internet banking. In introducing new distribution systems we have focused on enhancing our security as well as increasing efficiency.

As of December 31, 2009, we:

- executed an average of 15.4 million transactions daily, including 2.4 million directly through our teller windows and 13.0 million through other service channels, in particular, the Bradesco Day and Night Self Service Network, the internet, *Fone Fácil* (our call center) and *Bradesco Celular*;
- operated four foreign branches: one in New York; two in Grand Cayman, the Cayman Islands; and one in Nassau, the Bahamas; and
- operated seven foreign subsidiaries: in Buenos Aires, Argentina (Bradesco Argentina); Grand Cayman, the Cayman Islands (Cidade Capital Markets); Tokyo, Japan (Bradesco Services Japan); Hong Kong, China (Bradesco Trade Services); and Luxembourg (Bradesco Luxembourg), in addition to our broker-dealer in New York (Bradesco Securities U.S.) and our broker-dealer in the United Kingdom (Bradesco Securities UK).

We also offer banking services in approximately 6,067 Brazilian post offices and through our correspondent offices.

Specialized Distribution of Products and Services

As part of our distribution system, we have five areas that offer a range of products and services on an individualized basis to companies and individuals in specified segments of our customer base.

Bradesco Retail

Bradesco Varejo (our retail segment) provides products and services to individuals with monthly income of up to R\$6,000 and to corporate customers with annual revenues of up to R\$30 million. Bradesco Varejo serves more than 20 million customers, who carry out millions of transactions daily through our distribution channels.

Bradesco Corporate

Our corporate banking segment, which we formed in 1999, provides products and services to customers that are companies or groups of affiliated companies with annual revenues of over R\$350.0 million. Bradesco Corporate is currently managed by 124 relationship managers, and offers traditional and tailor-made products and solutions to its customers. All areas of our corporate banking segment received the ISO 9001:2000 quality certification.

Bradesco Empresas

Our Bradesco Empresas area, which was formed in 2002 to expand our middle-market activities, provides products and services to companies with annual revenues of R\$30.0 million to R\$350.0 million. We provide services to our Bradesco Empresas customers through 68 service outlets located in the principal Brazilian state capitals.

Bradesco Empresas focuses on providing the following services and products to its customers: loans, investments, foreign trade, derivatives, cash management and structured transactions. It has 329 relationship managers, who are all certified by ANBIMA and assist an average of 38 economic groups representing over 28,781 companies in various industries.

Bradesco Private Banking

Our Private Banking area offers our private banking products and services on a personalized basis to high income individuals with a minimum of R\$2.0 million available for investment. Our private banking service offers a range of financial consulting services, including investment, estate and tax consulting. Our Private Banking area received the ISO 9001:2000 certification for the management of high income individuals investments and the

“Goodpriv@cy” certification (Data Protection — 2002) confirmed by the International Quality Network for protecting the privacy of its customers.

Bradesco Prime

Our Bradesco Prime area, which began operations in May 2003, offers products and services on a personalized basis to individuals whose income is higher than R\$6,000 per month or who have at least R\$70,000 available for investment. It has a network of 259 branches throughout Brazil and a customer base to more than 421,072 customers. We make exclusive Internet banking and call center tools as well as access to Bradesco’s branches and ATM machines located throughout Brazil available to all of Bradesco Prime’s customers. Our exclusive Bradesco Prime branches offer the following dedicated services to its customers:

- Prime Digital Branch, which offers services through a call center with extended business hours (from 8:00 a.m. to 8:00 p.m., seven days a week, including bank holidays);
- Prime Branch, located at Cidade de Deus, Latin America’s first wireless branch, where managers using remotely connected equipment can manage the customers’ banking business from his/her own location; and
- a broad range of products and services, such as the Bradesco Prime Checking Account, which offers increasing benefits to our customers and generally serves to strengthen our relationships with our customers, and the chat on-line, which offers real-time financial advisory services over the Internet, as well as several investment funds specifically designed for Bradesco Prime customers.

All of Bradesco Prime’s relationship managers are certified by ANBIMA.

Branch System

The principal distribution channel for our banking services is our branch network, which consisted of 3,454 branches as of December 31, 2009. In addition to offering retail banking services, the branches serve as a distribution network for all of the other products and services we offer to our customers, including our payment processing and collection services, our private banking services and our asset management products. We market our leasing services through channels operated by our branch network, as well as directly through our wholly-owned subsidiary Bradesco Leasing. Bradesco Corretora and Bradesco Consórcios also market brokerage, trading and consortium services through our branches.

We sell our insurance products and pension plan products not only through exclusive brokers based in our network of bank branches, but also through other, non-exclusive brokers throughout Brazil, all of whom are compensated on a commission basis, and through our website. As of December 31, 2009, approximately 24 thousand brokers offered our insurance policies to the public. Our savings bonds are sold through our branch network, our website, our ATM network, our call center and our units in retail companies.

The table below sets forth the distribution of sales of the indicated products through our branches and outside our branches:

	<u>As of December 31, 2009</u>	<u>As of December 31, 2008</u>
	<i>(Percentage of total sales, per product)</i>	
Insurance products		
Sales through our branches.....	40.7%	35.3%
Sales outside our branches.....	59.3%	64.5%
Pension plan products		
Sales through our branches.....	82.5%	82.3%
Sales outside our branches.....	17.5%	17.7%
Saving bonds		
Sales through our branches.....	92.3%	93.2%
Sales outside our branches.....	7.7%	6.8%

Customer Service Channels

In addition to our traditional customer service network, our customers are also able to carry out their banking activities (checking their account balance, executing transactions and purchasing products and services) through the following alternative channels: self-service ATM network, *Fone Fácil* (Easy Phone), internet banking and *Bradesco Celular*.

Self service ATM Network. We operate 30,657 ATMs. Additionally, our existing customers were also allowed to access the 7,300 ATM network of *Banco 24 Horas* (24 hour Bank) for, among other transactions, withdrawals and viewing account balances.

We believe that we are a pioneer in Brazil in the use of the biometric scanning systems. We have implemented the “Bradesco Security in the Palm of Your Hand” system, which allows clients to be identified by reading the vein patterns in the palm of their hand and serves as a complementary password for ATM users. The technology is currently available in 11,071 ATMs.

On February 11, 2010, we entered into a memorandum of understanding with Banco do Brasil S.A. and Banco Santander (Brasil) S.A. for the sharing of the banks’ ATMs installed outside the branches, such as those installed in airports, fuel stations, supermarkets, shopping centers, drugstores and bus terminals.

Internet Services

We are focused on providing innovative Internet services for our customers. We offer all our products through our Internet portal that includes 68 websites, of which 48 are focused on institutional clients and 20 are focused on transactional clients.

Bradesco Net Empresa, our website exclusively directed to our corporate customers, allows for greater security in banking transactions through the use of digital certificates with electronic signatures and the Bradesco Safety Key System.

Bradesco Celular

By using the Bradesco Celular Channel, our customers may interact with us through their cellular phones and other mobile technology in order to pay their bills; make transfers between accounts; charge their cell phones; make inquiries concerning their account balances, insurance coverage, certificated savings bonds, financial market indexes and quotations, and profitability of their investment funds.

Telephone Service

With our *Fone Fácil* (Easy Phone) service, our customers may conduct their banking activities by telephone at any time. In 2009, we responded to 406.3 million calls.

Customers may use our telephone customer service center to access almost all our offered products and services, including to:

- obtain account balances and check on the status of transactions;
- transfer funds between accounts, including to other banks;
- pay bills;
- apply for loans or credit cards;
- execute and manage their investments;
- purchase certificated savings bonds; and
- enroll in supplementary private pension plans.

Postal Services

On August 20, 2001, we won a public bidding process organized by the *Empresa Brasileira de Correios e Telégrafos* (the government-owned postal company) (“ECT”), to offer banking services in post offices under a project in which the national network of post offices will be used to supplement the national financial system. Pursuant to the agreement dated on September 24, 2001, we have the right to offer banking services at dedicated Banco Bradesco booths which are staffed by ECT employees. Services offered include basic banking services including opening accounts, making deposits and withdrawals, collections, payment orders and loans. While the booths are staffed by ECT employees, all credit decisions are made by our staff.

On March 25, 2002, we inaugurated the first booth in the State of Minas Gerais. As of December 31, 2009, we had inaugurated 6,067 booths in more than 5,000 municipalities. Of the 6,067 booths, over 1,800 were inaugurated in areas which had no previous access to banking services.

These customers will be subject to our credit policy and limits.

Banking units in retail companies

We have entered into partnerships with, among others, retailers, supermarkets, drugstores and grocery stores to provide corresponding banking services (mainly collections, withdrawals from checking and savings accounts, and pension payments). While the booths will be staffed by our partners’ employees, all credit decisions will be made by our staff.

Risk Management

Our risk management area is integrated by a monitoring and control system that includes credit risk, market risk, operational risk and indebtedness risk. Our market risk exposure policies contain guidelines and limits established by senior management. Our risk management area also monitors anti-money laundering procedures and coordinates the implementation of measures for compliance with CMN Resolution 3,380 of June 29, 2006 and the U.S. Sarbanes-Oxley Act.

Market Risk Management

Market risks include the possibility of a loss of income due to fluctuating rates resulting from mismatched maturities, currencies and indicators of our asset and liability portfolios. We measure and manage market risks using methodologies and models adapted to our local and international market conditions to ensure that our strategic decisions are implemented quickly and reliably.

Market risk measurement and control is done by means of the Value at Risk (“**VaR**”), Economic Value of Equity (“**EVE**”), stress test and sensitivity analysis methodologies, as well as by means of management of results and financial exposure limits. In order to determine trading portfolio risk, we use the VaR methodology, which is monitored daily and has a historical accuracy level of 99%. The VaR methodology provides an estimate of the maximum potential loss that can be expected to result from a given adverse event, and volatilities and correlations are derived from statistical methods. The measurement of interest rate risk of the banking portfolio is made based on the EVE methodology, which evaluates the impact on our portfolios based on economic scenarios foreseen by our economic research area, and positive and negative movements that may occur in interest rate curves on our assets and liabilities.

Credit Risk Management

As part of our credit risk management enhancement process, we are working to improve our procedures for gathering and controlling portfolio information, developing new loss estimation models, enhancing and preparing the rating inventories used in the different sectors in which we operate, overseeing credit analysis, granting and settlement processes, monitoring credit concentration and identifying new components offering credit risks and preparing risks mitigation strategies.

We have focused our efforts on utilizing advanced credit risk models to assess risks throughout all the components of our credit operations. We believe that the credit risk models that we have adopted are in line with the best international practices. These practices include:

- a monthly meeting between the Executive Committee of Credit Risk and our management to discuss matters relating to credit risk;
- a monthly meeting between our Executive Vice-Presidents, the Executive Committee of Credit Risk and our management to discuss matters relating to credit risk;
- the granting of incentives to improve risk-rating models of customers possessing particular characteristics in the business segments in which we operate;
- evaluating credit risks in conjunction with the review of products;
- the implementation of a system used to calculate projected and unexpected losses, and the allocation of capital to cover such losses;
- a periodic review of projects relating to requirements of the BIS New Capital Accord, including the monitoring of existing compliance programs and the identifying of needs for further compliance programs;
- the re-testing of models used to assess credit portfolio risks;
- the optimization of management information systems designed to meet both the needs of present customers and the department’s segmentation approach, emphasizing decision making and credit portfolio management;
- the tracking of major risks, such as the periodic monitoring of major events of default through the individual analysis of customers’ balance histories and recovery estimates; and
- the continuous revising and restructuring of our internal processes, the including the adoption of roles and responsibilities capacity building, review of organizational structures and information technology demands.

Operational Risk Management

Operational risks include all events which affect our customers or our business operations that occur as a result of business interruption, system failure, error, omission, fraud or any other external event.

We manage operational risks using methodologies designed to decrease unsubscribed regulatory capital and prevent potential operational loss events. Such methodologies are aligned with the best practices in the market in operational risk management. Our risk management policies meet the guidelines enacted by the BIS New Capital Accord and the schedule set forth by the Central Bank, by means of Communications Nos. 12,746, 16,137 and 19,028, issued in December 9, 2004, September 27, 2007 and October 29, 2009, respectively.

Pursuant to CMN Resolution No. 3,380 of June 29, 2006, financial institutions are required to conduct diligence in their operational risk management annually and to publicly disclose the results of their diligence in a report. Specifically, financial institutions are required to, at the minimum: (i) identify, evaluate, monitor, control and mitigate operational risks; (ii) document and store all information regarding operational risk-related losses; (iii) prepare a report on at least an annual basis describing any deficiencies concerning operational risk control and management that as well as a timetable for the prompt correction of any such deficiencies; (iv) conduct tests on at least an annual basis to assess those operational risks control systems in place; (v) prepare an operational risk management policy that designates the roles and responsibilities of each member of the organization, and to disseminate this policy to all employees and outsourced service providers; (vi) form a contingency plan to ensure the continuation of activities and to limit material losses from any operational risks; and (vii) implement and maintain organized communication and information processes. The operating risk management policy is required to be approved and reviewed on at least an annual basis by the Board of Executive Officers and Board of Directors.

Our goal is to qualify to use the Advanced Measurement Approach, which is a set of operational risk measurement techniques proposed under a new framework for risk-based capital adequacy from the Basel Committee on Banking Regulations and Supervisory Practices that was approved in June 2005 (“**Basel II**”).

In addition, we use a corporate platform for operational risk management which we call *ROCI-Risco Operacional e Controle Interno* (or Internal Control and Operational Risk). This platform integrates operational risk information and internal controls information (quantitative and qualitative portion of risk) into a single database in order to meet the requirements set forth by the U.S. Sarbanes-Oxley Act.

Compliance and Internal Controls

The Internal Controls area is a unit of the Risk Management and Compliance Department and is responsible for the definition and development of methodologies, criteria, procedures and technical instructions to be applied to us to ensure the consistency of procedures in compliance with applicable regulations (including the U.S. Sarbanes-Oxley Act) and effectiveness of internal controls.

Results of our internal control assessments are regularly reported to the Internal Control and Compliance Committee, a statutory body with the following duties, among others:

- evaluation of the effectiveness of our internal controls system;
- evaluation of the implementation by the managers of the recommendations for improvements in internal controls;
- enforcement of compliance with procedures, rules, regulations and applicable laws; and
- analysis of reports issued by regulatory bodies and internal and external auditors concerning any internal controls deficiencies and respective measures taken by the areas involved.

The effectiveness of our internal controls framework is regularly evaluated by our Audit Committee and Internal Controls and Compliance Committee. These committees release a semi-annual opinion on such effectiveness, which is later submitted for the approval of our Board of Directors.

Internal Controls Management Methodology

Our risk and internal controls management methodology makes use of computerized tools, organizational structure, management processes and models. In order to maintain the effective operation of these components, we carry out constant qualification and training programs to disseminate knowhow, increase awareness of employees and revise the policies as appropriate.

In June 2009, we obtained the certification of our internal controls audited by PricewaterhouseCoopers Auditores Independentes, focused on the preparation of the U.S. GAAP financial statements related to the fiscal year ended on December 31, 2008, in accordance with the provisions set forth in the U.S. Sarbanes-Oxley Act.

We manage our main risks based on a methodology that includes five major steps. For operating processes, such methodology is in accordance with the structure required by the Public Company Accounting Oversight Board, created by the U.S. Sarbanes-Oxley Act. Such methodology complies with the regulations of the Central Bank and the principles recommended by the Basel Committee.

Step 1 – Formalizes the Process – documenting the procedures to identify risks and control activities.

Step 2 – Measures, Assesses, Manages and Monitors Risks and Controls – (i) identifying, classifying and measuring the risk exposure; and (ii) checking the existence and adequacy of our control design, and managing both of them.

Step 3 – Responses to the Risks – identifying gaps, preparing and following-up the implementation of action plans to correct anomalies or improve existing controls.

Step 4 – Performs Adherence Tests – ensuring, by means of formal execution of adherence tests, that the control activity is adequate and that it has been regularly and correctly exercised.

Step 5 – Applies Corporate Evaluation – applying a questionnaire to our employees so as to assess their knowledge, understanding and application on issues involving integrity, or ethical and moral values, policies and rules inherent to the risk and internal control management.

Compliance agents are responsible for executing activities for identification, classification, assessment and monitoring of risks and controls as well as performing adherence tests and preparing action plans, according to models defined by the internal controls area.

Anti Money Laundering Practices

We have specific policies, processes and systems to prevent and detect the use of our structure, products and services for money laundering and terrorism financing. See “Brazilian Financial Services Industry and Regulations—Anti-Money Laundering Regulations and Banking Secrecy”. Significant investments are made to train employees with programs in several formats such as leaflets, videos, e-learning courses and on-site lectures. A multi-department commission evaluates the relevance of submitting suspicious or atypical cases identified to the authorities, whether the transaction has been carried out or not. Our Executive Committee for Actions Against Money Laundering and Terrorism Financing meets on a quarterly basis to evaluate the actions taken and the need to adopt new measures to align our program to the rules issued by the regulatory bodies and to the best international practices.

Credit

Our credit policy is focused on:

- ensuring the safety, quality, liquidity and diversification levels of our assets;
- attaining flexibility and profitability in our credit operations; and
- minimizing the risks inherent to credit operations.

Our credit policy defines the criteria we use for setting operational limits and extending credit. Credit limits are set by the executive credit committee, which is made up of our vice-presidents, the managing officers responsible for our operational area and our credit officer. The executive credit committee updates our credit limits in accordance with changes in our internal policy and the Brazilian market in general. Our Board of Executive Officers also approves the credit valuation systems, which our branches and departments use for each type of loan in assessing credit applications.

We diversify our business among a large number of individuals, companies and economic groups that demonstrate an ability to meet their credit obligations and support those obligations with adequate collateral. In evaluating loans, we consider the reasons for each requested credit, the value and term of the credit and the risk classification the credit would receive under our classification system.

In Brazil, the risk rating system that is based on Central Bank criteria divides the level of risk into nine categories ranging from excellent to uncollectible, based on financial and economic considerations such as the credit profile and payment capacity of the borrower. See “Brazilian Financial Services Industry and Regulations — Regulations Affecting Financial Market Liquidity — Treatment of Overdue Debts”.

We approve credit for both consumer and corporate loans. The approvals are made at various levels of our organization, ranging from a branch manager to our executive credit committee. Our branches have defined limitations on their authority to grant credits, based on the size of the branch and credit support offered. However, they may not approve an application for credit from any borrower:

- whose proposed loan is rated less than “acceptable” under our internal credit risk classification system;
- whose personal data is not updated;
- whose personal data reveals any material credit restrictions; or
- who is in default on any of his or her existing credit obligations.

We have a different credit limit, with respect to our types of loans. We pre-approve credit limits to our individual and corporate customers and presently extend credit to the public sector only under very limited circumstances.

In all cases, funds are only advanced once the appropriate body has approved the line of credit. We review the credit limits of our large corporate customers every 180 days. Credits extended to other customers, including individuals and small- and mid-sized corporations are reviewed every 90 days.

If a loan is in arrears, the manager of the branch or department that originated the credit is responsible for taking the initial steps to determine if the default can be remedied. If the loan remains in default after exhaustion of extrajudicial collection strategies, the manager of the branch or department refers the loan to the credit recovery department.

Our credit policy is not static: as part of our risk management process, we continue to refine our credit procedures, including our procedures for collecting data on borrowers, for calculating potential losses, and for evaluating applicable ratings. In addition, we are evaluating our institutional credit risk management in the light of the expected recommendations of the Basel Accord, including:

- restructuring our methodology for calculating expected losses;

- identifying and implementing changes in our reporting processes to improve our management of our credit portfolio;
- redesigning our structure for information management; and
- evaluating the organizational structure of our credit evaluation practices, including a review of the demands on our technology, and addressing any issues found.

Consumer Credit Operations

Depending on the guarantee required and the size of branch involved, loans to individuals of up to R\$50,000 are approved at the branch level. If the loan or credit support is not within the limits established by the executive credit committee for approval at the branch level due to the size of branch involved, the approval of the loan is submitted to the credit department (or a higher level of authority). The following table sets out the range within which branch managers may approve loans to individuals, depending on the amount and the type of credit support offered:

	Range of Loan Approval Authority	
	Loan with personal guarantee	Collateralized Loan
	<i>(R\$ in thousands)</i>	
Decision-making authority		
Manager of very small branch ⁽¹⁾	R\$0 to R\$5	R\$0 to R\$10
Manager of small branch ⁽²⁾	0 to 10	0 to 20
Manager of average branch ⁽³⁾	0 to 15	0 to 30
Manager of large branch ⁽⁴⁾	0 to 20	0 to 50

- (1) Branch with total deposits below R\$1,999,999.
(2) Branch with total deposits between R\$2,000,000 and R\$5,999,999.
(3) Branch with total deposits between R\$6,000,000 and R\$14,999,999.
(4) Branch with total deposits above R\$15,000,000.

We use a specialized credit scoring evaluation system to analyze these loans, allowing us to build a level of flexibility into our decision-making process while maintaining consistent credit risk standards.

We provide our branches with tools that allow them to analyze credits for individual customers in a rapid, efficient and standardized manner and to produce the corresponding loan contracts automatically. With these tools, the branches can respond quickly to customers, keep costs low and control the risks inherent to consumer credit in the Brazilian market.

If the branch manager is not authorized to approve the requested loan, the decision is submitted to a higher level of our credit department. The following table sets out the range within each of our decision-making authorities approves loans to individuals above R\$50,000, irrespective of the type of credit support:

	Amount of Loan	
	Minimum	Maximum
	<i>(R\$ in thousands)</i>	
Decision-making authority		
Credit department.....	R\$51	R\$8,000
Credit officer.....	over 8,001	10,000
Executive credit committee (daily meeting) ⁽¹⁾	over 10,001	35,000
Executive credit committee (plenary meeting) ⁽²⁾	over 35,001	

- (1) The executive credit committee, which is composed of members of our senior management and which meets on a weekly basis, analyzes credits of over R\$35 million and determines the general policies that will guide our credit policy until its next meeting.
(2) The daily credit committee, which meets on a daily basis and is responsible for analyzing credits of up to R\$35 million.

Corporate Credit Operations

For corporate customers, depending on the proposed credit support and the size of the relevant branch, loans of up to R\$400,000 are approved at the branch level. As with loans to individuals, if the credit support offered is not within the limits established by the executive credit committee for approval at the branch level, the approval of the loan is submitted to the credit department or a higher level of authority.

The following table sets out the range within which branch managers may approve corporate loans, depending on the amount and the type of credit support offered:

	Range of Loan Approval Authority	
	Loan with personal guarantee	Mortgage-backed loan
	(R\$ in thousands)	
Decision-making authority		
Manager of very small branch ⁽¹⁾	R\$0 to R\$10	R\$0 to R\$60
Manager of small branch ⁽²⁾	0 to 20	0 to 120
Manager of average branch ⁽³⁾	0 to 30	0 to 240
Manager of large branch ⁽⁴⁾	0 to 50	0 to 400
Manager of Bradesco Empresas ⁽⁵⁾	0 to 100	0 to 400

(1) Branch with total deposits below R\$1,999,999.

(2) Branch with total deposits between R\$2,000,000 and R\$5,999,999.

(3) Branch with total deposits between R\$6,000,000 and R\$14,999,999.

(4) Branch with total deposits above R\$15,000,000.

(5) Exclusive branch for middle market companies.

The following table sets out the range within which each of our decision making authorities approves loans for corporate customers above R\$400,000, irrespective of the type of security offered:

	Amount of Loan	
	Minimum	Maximum
	(R\$ in thousands)	
Decision-making authority		
Credit department	R\$401	R\$8,000
Credit officer	over 8,000	10,000
Executive credit committee (daily meeting)	over 10,000	35,000
Executive credit committee (plenary meeting)	over 35,000	

In order to meet customers' needs as quickly as possible while maintaining a high level of security, the Credit Department breaks down its analyses using different methodologies and instruments for credit analysis in each segment, paying special attention to:

- Retail, Prime and Private segments (Individuals): reputation and credit worthiness; professional category/activity, monthly income, assets (personal and real property, liabilities and stakes in companies); bank indebtedness; and the history of their relationship with us, paying special attention to terms and current fees and to the guarantees involved as part of any loans that have been extended.
- Retail segment (Companies): in addition to the points above, we also consider the period of activity and monthly revenues,
- *Bradesco Empresas* (middle market) and *Bradesco Corporate* (corporate banking) segments: management's ability, the company and/or corporate group's positioning in the market; the size, economic-financial evolution, cash-generating ability and business strategies.

Data Processing Systems

We currently have a central computer system that has a capacity exceeding 170,000 Mips (millions of instructions per second). Added to our 5,972 servers with programs running on other operating systems with data storage capacity of 2 Petabytes, we process an average of 188 million transactions per day based on data as of December 31, 2009.

In 2009, our *Projeto TI Melhorias* (IT Improvement Project), which was launched in 2003 to prepare our IT infrastructure for the coming decades, concluded 25 of its 28 actions. The largest of these, the construction of what we call the “new system architecture”, is expected to be concluded within the next two years. The results that are already apparent include greater operational flexibility, speed and simplicity, assuring that our technological applications are fully aligned with benefiting our business and offering high-quality products and services to our customers.

Property, Plant and Equipment

As of December 31, 2009, we owned 816 properties and leased 2,543 properties throughout Brazil and leased six properties abroad, all of which we used for the operation of our branches and performance of our business. We own the real property where our head office is located in Cidade de Deus, a neighborhood of Osasco near the City of São Paulo in the State of São Paulo, Brazil. The majority of our leased property is leased under renewable contracts with terms of an average of twelve years.

Seasonality

We believe that seasonality does not materially affect our businesses.

Competition

We face significant competition in all of our principal areas of operation, including the Brazilian markets for financial and banking services. As of December 31, 2009, there were 139 multiple-service banks providing a full range of commercial banking, consumer finance, investment banking and other services, 18 commercial banks, 16 investment banks and numerous brokerage, leasing, savings and loan and other financial institutions in Brazil.

Public sector banks play an important role in the Brazilian banking industry and operate within the same legal and regulatory framework as the private sector banks. The largest public sector bank in Brazil in terms of assets is Banco do Brasil, which recently acquired a 50.0% interest in Banco Votorantim.

Currently, the largest private sector banks, in terms of both total loans and total deposits, are: (i) ourselves; (ii) Itaú Unibanco; and (iii) Banco Santander (Brasil) S.A. (“**Banco Santander**”). Each of these banks has a strong presence in the Brazilian market for financial and banking services.

In September 2006, the CMN enacted new regulations to increase competition among Brazilian commercial banks. As a result of these new regulations: (a) banks are prohibited from charging their customers fees for services in connection with salary, pension and other income payment accounts that such customers are required to maintain with a bank that has been designated by such client’s employer, pension fund or income payer, (b) financial institutions and leasing companies must accept the prepayment of loans and leasing transactions by customers who have elected to refinance such debt with other financial institutions, (c) customers will have the right to request that a financial institution disclose their credit history to another financial institution, and (d) changes in the regulation of the Credit Guarantee Fund (*Fundo Garantidor de Crédito*) (“**FGC**”), which is a government fund created to guarantee payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy or other state of insolvency, thereby providing depositors with greater assurance that their deposits will be safeguarded.

By creating mechanisms that will make it easier for customers to open new accounts and transfer their funds from one institution to another, these new regulations aim to increase competition among financial institutions by

facilitating a client's ability to switch their business between financial institutions. In addition, the changes in the federal depositary insurance regime are intended to provide customers with the security of knowing that deposits, including those with smaller financial institutions will be guaranteed at up to R\$60,000 per client in the event that such financial institution becomes insolvent.

For a discussion of the risks related to competition, see "Risk Factors — Risks Relating to Banco Bradesco and the Brazilian Banking Industry — The increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects".

Banking

We compete for corporate and individual customers with other large Brazilian banking institutions. Currently, our primary banking competitors are Banco do Brasil, Itaú Unibanco and Banco Santander. The Brazilian banking industry has undergone significant consolidation in recent years through acquisitions and privatizations.

The Brazilian banking industry has also seen increasing competition from the entry of foreign banking institutions into the Brazilian market for financial and banking services in recent years. In addition to Banco Santander Central Hispano S.A., which operates in Brazil through Banco Santander, certain large U.S., European and Asian banking institutions, including Citigroup Inc. ("**Citigroup**") and the Hong Kong and Shanghai Banking Corporation (HSBC), are currently operating in Brazil. Additional foreign banks could enter the Brazilian market for financial and banking services in the future and thereby increase competition, particularly as foreign banks are now permitted to participate in privatizations of publicly-held Brazilian financial institutions.

Banks also face increasing competition from other financial intermediaries that can provide larger companies with access to capital markets as an alternative to bank loans. As a multiple-service bank, we provide such services through our investment banking division.

We believe we have certain competitive advantages resulting from our position as one of the largest private sector Brazilian banking institutions in terms of net worth and our extensive branch network. However, in the event that one of our competitors or a foreign banking institution were to acquire one or more large Brazilian banks, the structure of the Brazilian banking industry could be significantly altered and our competitive advantage in such industry could be diminished.

Credit Cards

The Brazilian credit card market is highly competitive, with approximately 136 million cards issued in Brazil as of December 31, 2009, according to ABECs. Our primary competitors are Banco do Brasil, Itaú Unibanco and Citigroup. We believe that the primary competitive factors in this area are interest rates, annual fees, card distribution network and the relative benefits the cards offer.

We also face competition for credit cards in the form of post-dated checks, a popular means of term payment in Brazil in which customers pay for merchandise and services with future dated bank checks, effectively allowing payment in installments over a longer term. Because of their convenience and growing acceptance, we believe that credit cards will gradually replace post-dated checks.

Leasing

In general, the Brazilian leasing market is dominated by companies affiliated with vehicle and equipment producers (such as Hewlett Packard and IBM) and large banks (such as Itaú Unibanco, Banco Santander, Banco Safra S.A. and Banco do Brasil). We currently enjoy certain competitive advantages, as we have one of the largest branch network among our private sector competitors.

Asset Management

In 2009, as a result of the increased volatility of high-risk assets, the fund management activity experienced an increase of investment in low-risk fixed income funds and portfolios. Our main competitors in the fund management industry in Brazil are Banco do Brasil, Itaú Unibanco, Caixa Econômica Federal and Banco Santander.

Insurance, Supplementary Pension Plans and Certificated Savings Bonds

Insurance

Grupo Bradesco de Seguros e Previdência, a leading insurance company with a 24.4% market share according to SUSEP, faces increased competition from a number of Brazilian and multinational corporations in all of its insurance operations.

As of November 30, 2009, our primary competitors were Sul América Cia. Nacional de Seguros, Itaú Unibanco Seguros S.A., Porto Seguro, Caixa Seguros, Santander Seguros S.A., HSBC and Banco do Brasil Seguros, which represent in the aggregate approximately 57.0% of the total premiums generated in the market, pursuant to information from SUSEP. On August 24, 2009, Itaú Unibanco Seguros S.A. and Porto Seguro announced an agreement to enter into a partnership focused on housing and automobile insurance, thereby creating a significant competitor in the insurance business. Although national companies underwrite the majority of the insurance business, we also face competition from local and regional companies primarily in the health insurance segment where they are able to operate at a lower cost or specialize in providing coverage to particular risk groups.

Competition in the Brazilian insurance industry has changed dramatically in the past few years as foreign companies have begun to form joint ventures with Brazilian insurance companies that have expertise in the Brazilian market. For example, in March 2002, the Dutch bank ING acquired an interest in one of the companies of the Sul América Group. Hartford operates in Brazil through a joint venture with the Icatu Group while AXA, ACE, Generalli, Tokio Marine and other international insurers offer insurance products in Brazil through their own local facilities.

We believe that the principal competitive factors in this area are price, perceived financial stability, name recognition and service. At the branch level, we believe that competition is primarily based on the level of service, including claims handling, the level of automation and the development of long-term relationships with individual agents. We believe that our ability to distribute insurance products through our branch network gives us a competitive advantage over most other insurance companies. Because most of our insurance products are offered through our retail bank branches, we benefit from certain cost savings and marketing synergies compared with our competitors. This cost advantage could become less significant over time, however, as other large private banks begin using their own branch networks to offer insurance products through dedicated agents.

Supplementary Pension Plans

The monetary stability that accompanied the implementation of the *real* plan, favorable tax treatment and the prospect of a fundamental reform of Brazil's social security system stimulated the supplementary pension plan sector, attracting to the Brazilian market new international pension funds.

Bradesco Vida e Previdência is currently the leader of the supplementary pension plan and VGBL market, accounting for 36.3% of assets under management in the sector as of December 31, 2009, according to FENAPREVI.

We believe that the Bradesco brand name, together with our extensive branch network, pioneering strategies and product innovation, are our main competitive advantages.

Certificated Savings Bonds (Planos de Capitalização)

The certificated savings bonds market became more competitive beginning in 1994 as exchange rates became more stable and levels of inflation were reduced. As of November 30, 2009, Bradesco Capitalização ranked second in the

industry, with 19.67% of the market based on revenues and 20.14% of the market based on technical reserves, according to SUSEP.

Our primary competitors in the certificated savings plan area are Brasilcap Capitalização S.A., Itaú Unibanco Capitalização S.A., Icatu Hartford Capitalização S.A., Caixa Capitalização S.A. and Santander Real Capitalização S.A. Offering low cost products with a high number of drawings for prizes, financial soundness and brand recognition by the customers are the principal competitive factors in this industry.

Social Responsibility

Our social responsibility policies are an important element of our overall business strategy. The following examples describe certain of our key social responsibility policies and achievements:

- we created a Social-Environmental Responsibility Executive Committee composed of nine officers and representatives from several of our departments and a Social-Environmental Responsibility Area to assist the Executive Committee in order to educate all our business areas regarding social-environmental issues and encourage initiatives relating to these issues in accordance with the guidelines presented in our Social-Environmental Responsibility Corporate Policy and best market practices;
- we have adopted the July 2006 version of the Equator Principles, a set of rules defined by the International Finance Corporation that set out policies for determining, assessing and managing social and environmental risk in project financing transactions;
- we have been a member of BM&FBOVESPA's Sustainability Index since its inception, an index that tracks the financial, environmental, social and corporate governance performance of selected companies that have shares listed on BM&FBOVESPA;
- we have been a member of the Dow Jones Sustainability World Indexes ("DJSIs") since September 2006. The DJSIs are global indexes that track the financial performance of companies that have policies driven by managing economic, environmental and social aspects of business;
- we created in January 2009 a Carbon Credit Department to focus our performance in this market and pursue new business opportunities. With the creation of this department, we started to offer our corporate clients products that enable planning, financing and executing projects to reduce greenhouse gas emissions, such as improving efficiency in the use/transmission of energy, developing new clean energy technologies, replacing of polluting fuels with clean and renewable energy (wind power, sun and biomass, among others) and reforestation; and
- we were the first Brazilian bank to launch a program to measure its direct and indirect carbon dioxide emissions into the atmosphere, as part of our effort to neutralize such emissions. We have proposed that our entire business chain, including our customers, suppliers and other entities with whom we have relationships, takes part in this effort in the medium-term. To compensate for any environmental impact our operations may cause as demonstrated by this measurement program, we promote the planting of trees in partnership with SOS Mata Atlântica. This is the first step of our larger program, which was initiated one year ago. As part of this phase, a survey of all carbon dioxide emissions caused by activities performed in our headquarters at Cidade de Deus and other administrative buildings was conducted. The emissions caused by the activities of our network of branch offices will be measured as part of the next phase.

Legal Proceedings

We are party to administrative proceedings and lawsuits that are incidental to the normal course of our businesses. These include administrative proceedings as well as general civil, tax and employee litigation. We do not have any litigation matters that are significant on an individual basis. We believe that there are no suits pending or threatened,

individually or in the aggregate, that if decided against us or our subsidiaries would have a material adverse effect on our business, financial condition, properties, prospects or results of operations.

As of December 31, 2009, of our litigation provision of R\$11.0 billion, 14.5% related to labor matters, 64.2% related to tax related matters and 21.3% related to civil cases. For more information, see note 18 to our consolidated financial statements as of and for the year ended December 31, 2009.

We believe that as of December 31, 2009, our litigation provisions are sufficient to cover our expected losses from litigation matters.

Labor matters. The labor matters in which we were involved during the year ended December 31, 2009 related largely to actions brought by employees who have been laid off seeking indemnity, particularly for the payment of unpaid overtime. None of those claims are individually significant. We have made what we consider adequate provisions for any such claims.

Tax-related matters. We are also the subject of a number of general indemnity and taxation related actions, including disputes relating to the constitutional validity of certain tax requirements, for which provisions have been recorded in full. See note 18(b) to our financial statements as of and for the year ended December 31, 2009 for a description of our most relevant tax claims.

Civil cases. We also face a number of civil cases, which arise out of the normal course of our activities. The matters primarily consist of claims for pecuniary damages, generally for claims against us arising out of our actions to collect on unpaid financial instruments, in bouncing checks, and in reporting adverse credit information to credit reporting agencies.

Like certain other Brazilian banks, we are involved in a number of disputes with respect to the method used to account for the effects of inflation during periods of hyperinflation, particularly disputes with respect to the exclusion of the inflation adjustment of the savings accounts balance implemented during some governmental economic plans (especially the Bresser and Verão economic plans) in the past decades. Although we had complied with the legal requirements in force at the time, those disputes have been provisioned taking into consideration claims effectively notified and their assessed loss perspectives. An unfavorable outcome to these disputes would not have a material adverse effect on our results of operations or financial position.

Other matters. We are not currently the subject of any pending or threatened material proceedings by the Central Bank, CVM, ANS or SUSEP. Management believes that it is in compliance with all applicable Central Bank, CVM, ANS and SUSEP regulations.

DESCRIPTION OF BRADESCO GRAND CAYMAN BRANCH

The following section supplements “Description of Bradesco Grand Cayman Branch” beginning on page B-114 of the Base Prospectus.

As of December 31, 2009, the shareholders’ equity of our Grand Cayman branch on a consolidated basis was US\$3.1 billion and it had total assets of US\$12.2 billion.

DESCRIPTION OF BRADESCO NEW YORK BRANCH

The following section supplements “Description of Bradesco New York Branch” beginning on page B-115 of the Base Prospective.

As of December 31, 2009, the shareholders’ equity of our New York branch was US\$200.0 million, and it had total assets of US\$3.3 billion.

MANAGEMENT

The following section replaces “Management” beginning on page B-116 of the Base Prospectus.

We are managed by our *Conselho de Administração*, (“**Board of Directors**”) together with our *Diretoria Executiva* (Board of Executive Officers). The Board of Directors establishes our corporate strategy and policies and supervises and monitors the Board of Executive Officers. In turn, the Board of Executive Officers implements the strategy and policies set by the Board of Directors and is responsible for our day-to-day management.

Our Board of Executive Officers is currently made up of (i) our senior executive officers and (ii) our departmental and regional officers. The Board of Executive Officers consists of the president, seven executive vice presidents and nine managing executive officers.

Our nine-member Board of Directors meets on an ordinary basis every 90 days and meets on an extraordinary basis whenever necessary and is responsible for:

- approving, on a case-by-case basis, any engagement of our independent auditors for audit and non-audit services provided to our subsidiaries or to us;
- establishing our corporate strategy;
- reviewing our business plans and policies; and
- supervising and monitoring the activities of our Board of Executive Officers.

Our Board of Executive Officers meets weekly and is responsible for:

- implementing the strategy and policies established by our Board of Directors; and
- our day-to-day management.

Several members of our Board of Directors and the Board of Executive Officers also perform senior management functions at our subsidiaries, including Bradesco Seguros, Bradesco Auto/RE Companhia de Seguros, Bradesco Capitalização, BRAM, Banco Finasa, Bradesco Consórcios, Bradesco BBI, Bradesco Saúde, and Bradesco Leasing. Each of our subsidiaries has its own management structure.

Pursuant to Brazilian law, all members of our Board of Directors and Board of Executive Officers have been approved by the Central Bank.

The business address of all the members of our Board of Directors and Board of Executive Officers is Banco Bradesco S.A., Cidade de Deus, Vila Yara, 06029-900, Osasco, SP, Brazil.

As of the date hereof, the members of our Board of Directors and the members of our Board of Executive Officers are:

Members of the Board of Directors	Position	Date of Birth
Lázaro de Mello Brandão	Chairman	June 15, 1926
Antônio Bornia	Vice-Chairman	November 22, 1935
Mario da Silveira Teixeira Junior	Director	March 4, 1946
Márcio Artur Laurelli Cypriano.....	Director	November 20, 1943
João Aguiar Alvarez	Director	August 11, 1960
Denise Aguiar Alvarez Valente	Director	January 24, 1958
Ricardo Espírito Santo Silva Salgado	Director	June 25, 1944
Luiz Carlos Trabuco Cappi.....	Director	October 6, 1951
Carlos Alberto Rodrigues Guilherme	Director	December 21, 1943

Members of the Board of Executive Officers	Position	Date of Birth
Luiz Carlos Trabuco Cappi	Chief Executive Officer	October 6, 1951
Laércio Albino Cezar	Executive Vice-President	October 13, 1946
Arnaldo Alves Vieira	Executive Vice-President	April 9, 1948
Sérgio Socha	Executive Vice-President	March 15, 1946
Julio de Siqueira Carvalho de Araújo	Executive Vice-President	December 10, 1954
José Luiz Acar Pedro	Executive Vice-President	November 23, 1952
Noberto Pinto Barbedo	Executive Vice-President	February 26, 1952
Domingos Figueiredo de Abreu	Executive Vice President	January 8, 1959
José Alcides Munhoz	Managing Officer	July 23, 1948
Milton Matsumoto	Managing Officer	April 24, 1945
Odair Afonso Rebelato	Managing Officer	July 28, 1945
Aurélio Conrado Boni	Managing Officer	July 19, 1951
Ademir Cossello	Managing Officer	July 3, 1955
Sérgio Alexandre Figueiredo Clemente	Managing Officer	June 7, 1959
Candido Leonelli	Managing Officer	June 27, 1947
Mauricio Machado de Minas	Managing Officer	July 1, 1959

The following are biographies of the current members of our Board of Directors and Board of Executive Officers:

Board of Directors

Lázaro de Mello Brandão, Chairman: In September 1942, Mr. Brandão was hired as a bookkeeper by Casa Bancária Almeida & Cia., the financial institution that became Banco Brasileiro de Descontos S.A. on March 10, 1943, and later became Banco Bradesco S.A. He has held a variety of positions during his banking career in Bradesco. He was elected as an Officer in January 1963 and Vice-President in September 1977. In January 1981, he was appointed CEO, succeeding Mr. Amador Aguiar, the founder of Bradesco. Since February 1990, he has served as Chairman of our Board of Directors. In March 1999, he chose to resign his position as CEO, but has remained Chairman of our Board of Directors. He also holds a variety of positions within Grupo Bradesco, including positions as Chairman of the Board of Trustees and President of Fundação Bradesco, and Chairman of the Board of Directors and President of the Institute of Diseases of the Digestive System and Nutrition FIMADEN. In addition, he is Chairman of the board of directors of Bradespar S.A., a member of the consulting committee of VBC Participações S.A., and a voting member of the Managing Board of Banco Espírito Santo S.A., located in Lisbon, Portugal. He has also served as President of the Banking Associations of the States of São Paulo, Paraná, Mato Grosso and Mato Grosso do Sul; as Vice-President of the National Federation of Banks, known as “FENABAN;” as a member of the Board of the Federation of Brazilian Banking Associations, known as “FEBRABAN;” and as Chairman of the board of directors of FGC and CIBRASEC Companhia Brasileira de Securitização.

Antônio Bornia, Vice-Chairman: Mr. Bornia started his career with Bradesco in May 1952. Since then, he has held a variety of positions. In September 1975, he became an Associate Officer; in April 1979, he was appointed Executive Officer; in June 1981, he became Vice-President; and since March 1999, he has been Vice-Chairman of our Board of Directors. He is also Chairman of the board of directors of Bradesco Securities, Inc. and Vice-Chairman of the board of directors of Banco Bradesco Luxembourg S.A. and Bradesco Leasing S.A. — Arrendamento Mercantil; Vice-President of NCF Participações S.A., Nova Cidade de Deus Participações S.A. and Top Clube Bradesco, Segurança, Educação e Assistência Social; a Manager of Bradport — S.G.P.S. Sociedade Unipessoal, Lda; Vice-Chairman of the Board of Trustees; Vice-President of Fundação Bradesco; Vice-Chairman of the Board of Directors; and Vice-President of FIMADEN. He is also Chairman of the Board of the ABEL; CEO of the National Union of Leasing Companies; Vice-President of the Board of Representatives of the CNF — National Confederation of the Financial Institutions and the National Confederation of the Financial System — CONSIF; Vice-President of the board of directors of Bradespar S.A.; and a member of the Brazilian Sector of the Brazil-United States Chamber of Commerce. He has also served as the CEO of ABEL; an alternate member of the Board of Resources of the National Financial System, an agency related to the Treasury Ministry; and as representative of ABEL — Associação Brasileira das Empresas de Leasing from July 1989 until July 1991 and from February 2000 to February 2002. He was also Chairman of the Board of Directors of the FGC from January 2002 to

January 2005 and Vice-Chairman of the Executive Board of the Latin American Leasing Federation — Fellease from August 2003 to October 2005.

Mario da Silveira Teixeira Junior, Director: Mr. Teixeira received a degree in civil engineering and business administration from Mackenzie Presbyterian University. Mr. Teixeira joined Bradesco S.A Corretora de Títulos e Valores Mobiliários in July 1971, serving as an Officer from March 1983 until January 1984. He was transferred to Banco Bradesco de Investimento S.A. and Banco Bradesco S.A., where he was appointed Departmental Director in January 1984; Managing Officer in March 1992; Vice-President in March 1998; and a member of our Board of Directors from March 1999 to July 2001. From July 2001 until March 2002, Mr. Teixeira served as CEO of Bradespar S.A., a company incorporated through our partial spinoff. In March 2002, he returned to his position as a member of our Board of Directors, where he remains until today. Currently, he is a Member of the Board of Directors of Bradesco Leasing S.A. — Arrendamento Mercantil, a member of the Board of Trustees and Managing Officer of Fundação Bradesco, a member of the Board of Directors and Managing Officer of FIMADEN, and a member of the Board of Directors of Bradespar S.A. In addition to these activities, he is a member of the Board of Directors of CPFL Energia S.A. and Valepar S.A., Vice-Chairman of the Board of Directors of Companhia Vale do Rio Doce, a voting member of the Managing Board of Banco Espírito Santo de Investimentos S.A., located in Lisbon, Portugal, and Vice-Chairman of the Board of Directors of BES Investimento do Brasil S.A. — Banco de Investimento. He also served as Vice-President of ANBIMA; a member of the Management Board of ABRASCA — Associação Brasileira das Companhias Abertas; and a member of the Board of Directors of Companhia Paulista de Força e Luz — CPFL, Companhia Piratininga de Força e Luz, Companhia Siderúrgica Nacional — CSN, CPFL Geração de Energia S.A., Latasa S.A., São Paulo Alpargatas S.A., Tigre S.A. Tubos e Conexões, VBC Energia S.A. and VBC Participações S.A.

Márcio Artur Laurelli Cypriano, Director: Mr. Cypriano received a law degree from Mackenzie Presbyterian University. He started his career in July 1967 by joining Banco da Bahia S.A., a financial institution we merged with in December 1973. Thereafter, Mr. Cypriano became a manager of Bradesco. In January 1984, Mr. Cypriano was appointed a Departmental Officer; in January 1986, he became a Deputy Managing Officer; in February 1988, he was designated Managing Officer; and in February 1995, he became Vice-President. In March 1999, he was appointed our CEO, and has been a Director since March 2002. Previously, he was the CEO of Banco BCN from April 1998 until March 1999. Currently, Mr. Cypriano also serves as CEO of several companies within Bradesco's organization, including positions as a member of the Board of Trustees and Managing Officer of Fundação Bradesco; and a member of the Board of Directors and Managing Officer of FIMADEN. In addition to these activities, he is a member of the Board of Directors of Bradespar S.A.; a member of the Board of Conselho de Desenvolvimento Econômico e Social — CDES; CEO and President of FEBRABAN; CEO of FENABAN and of the Union of the Banks in the States of São Paulo, Paraná, Mato Grosso and Mato Grosso do Sul; a member of the Board of Directors of FGC and of the Agribusiness Board — CONSAGRO; a representative of FEBRABAN; and a member of Conselho Superior de Comércio Exterior (Coscex) and of the Federation of the Industries of the State of São Paulo/Instituto Roberto Simonsen.

João Aguiar Alvarez, Director: Mr. Alvarez received a degree in agronomy from the Manuel Carlos Gonçalves College of Agronomy and Animal Husbandry in Espírito Santo do Pinhal, SP. In April 1986, he was elected to the Board of Directors of Cidade de Deus — Companhia Comercial de Participações, one of the holding companies of Banco Bradesco S.A., has served as a member of our Board of Directors since February 1990 and has been a Director of Bradespar S.A. since March 2000. He is a member of the Board of Trustees and Associate Director of Fundação Bradesco, and a Member of the Board of Directors and Associate Officer of FIMADEN.

Denise Aguiar Alvarez Valente, Director: Ms. Valente received a degree in education from São Paulo Pontific Catholic University and a Masters in Education from New York University. In April 1986, she was appointed to the Board of Directors of Cidade de Deus — Companhia Comercial de Participações, one of our controlling shareholders, and since July 1988 has served as an Officer. Ms. Valente has been a member of our Board of Directors since February 1990, and an Officer of Bradespar S.A. since March 2000. She is also a member of the Board of Trustees and Associate Officer of Fundação Bradesco, and a member of the Board of Directors and Associate Officer of FIMADEN. In addition to these activities, she is a member of the Board of Directors of Associação dos Amigos da Pinacoteca do Estado, a member of the Deliberative Board of Fundo Social de Solidariedade do Estado de São Paulo — FUSSESP, a member of Fundação Dorina Nowill para Cegos and Fundação Roberto Marinho, a member of the Governance Board of GIFE — Group of Institutions, Foundations and

Companies, a member of the Consulting Board of Canal Futura and an effective member (*Socia Efetiva*) of Associação de Apoio ao Programa Alfabetização Solidária — AAPAS.

Ricardo Espírito Santo Silva Salgado, Director: Mr. Salgado received a degree in economics from the Instituto Superior de Ciências Econômicas e Financeiras at Universidade Técnica de Lisboa — Portugal. In June 2003, he was appointed to our Board of Directors. He is also a member of the Superior Council of the Espírito Santo group; Vice-President of the Board of Directors and President of the Executive Commission of Banco Espírito Santo, S.A. — Lisbon; President of Espírito Santo Financial Group (ESFG) — Luxembourg; a member of the Supervisory Board of Euronext NV — the Netherlands; a member of the Executive Committee of Institut Internationale d'Etudes Bancaires (IIEB) — Brussels; and a member of the European Advisory Committee Board of NYSE. He has served as a member of the Board of Directors of Banco Boavista Interatlântico S.A. (Brazil) from September 1997 to October 2000.

Luiz Carlos Trabuco Cappi, Director: Mr. Cappi received a degree in philosophy from the São Paulo University of Philosophy, Science and Languages, and a post graduate degree in social psychology from the São Paulo School of Sociology and Politics. He began his career at Bradesco in April 1969. Since then, Mr. Cappi has held a variety of positions, including appointments as Departmental Officer in January 1984, Managing Officer in March 1998 and Vice President since March 1999. Since March 2003, he has been CEO of Bradesco Seguros S.A. He served as a member of the Board of Directors of Bradesco Seguros from March 1999 to March 2005. He currently holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees and as a Managing Officer of Fundação Bradesco, and positions as a member of the Board of Directors and Managing Officer of FIMADEN. In addition to these activities, he is a member of the Managing Board of the Rio de Janeiro Commercial Association, a member of the Board of ANSP — National Academy of Insurance and Pension Plans, and a member of the Consulting Board of APTS — São Paulo Association of Insurance Technicians. He was a Sector Officer of ADVB — Association of Sales Officers of Brazil, President of ANAPP — National Association of Private Pension, a member of the Managing Board of ABRASCA — Brazilian Association of Publicly Held Companies, a member of the Board of Directors of Companhia Siderúrgica Belgo Mineira, and Marketing Sector Officer and a member of the National Board of Banking Ethics (CONEB) of the Brazilian Federation of Banks (FEBRABAN).

Carlos Alberto Rodrigues Guilherme, Director: Mr. Guilherme received a law degree from Pinhalense Education Foundation. He began working at Bradesco in December 1957. Mr. Guilherme has held a variety of positions within the banking sector, including appointments as Departmental Officer in March 1986, Deputy Managing Officer in March 1998, and Managing Officer since March 1999. He also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees of Fundação Bradesco and a member of the Board of Directors of FIMADEN. Previously, he served as Officer of Banco de Crédito Real de Minas Gerais S.A. from April 1998 until April 2003 and as Officer of Credireal Leasing S.A. — Arrendamento Mercantil from April 1998 to September 1999.

Board of Executive Officers

Luiz Carlos Trabuco Cappi, Chief Executive Officer: Mr. Cappi serves as our Chief Executive Officer, as well as a member of our Board of Directors. Please refer to the biography set forth above.

Laércio Albino Cezar, Vice-President: Mr. Cezar started his career in April 1960 at Bradesco. Since then, Mr. Cezar has held a variety of positions, including appointments as Departmental Officer in March 1982, Managing Executive Officer in March 1992 and Vice-President since March 1999. He also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees and Managing Officer of Fundação Bradesco, and a member of the Board of Directors and Managing Officer of FIMADEN. Previously, from November 1983 to March 1992, he was a member of the Security Against Frauds Sub-Committee of FEBRABAN. Mr. Cezar was also the Brazilian representative within the Internal Auditors Committee of FELABAN — Federação Latino-Americana de Bancos from January 1991 to April 1997; Vice-President of the Institute of Rational Organization of Labor (IDORT) of São Paulo from July 1997 to July 2000; and First Executive Vice-President from July 2000 to July 2003.

Arnaldo Alves Vieira, Vice-President: Mr. Vieira received a law degree from Guarulhos University and a degree in business administration from Mackenzie Presbyterian University. He started his career in October 1961 at Bradesco. Since then, Mr. Vieira has held a variety of positions within Bradesco, including appointments as Regional Officer in April 1985, Departmental Officer in March 1992, Managing Officer in February 1995 and Vice-President since March 1999. He also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees and Managing Officer of Fundação Bradesco, and a member of the Board of Directors and Managing Officers of FIMADEN. In addition to these activities, he has been Vice-Chairman of VisaNet since November 1995, Officer of the InterAmerica Overseas Limited since May 2000, Director of the Regional Board of Directors of Visa International since May 1999, and a member of the Board of Ethics and Self-Regulation of ABECS since January 2006. Mr. Vieira also served as Executive Officer of FEBRABAN and FENABAN from March 2002 to September of 2002.

Sérgio Socha, Vice-President: Mr. Socha began his career at Banco Indústria e Comércio de Santa Catarina S.A. in September 1961. He joined our staff in May 1968 as a result of our acquisition of Banco Indústria e Comércio de Santa Catarina S.A. Since then he has held a variety of positions within the banking sector, including appointments within Bradesco as Regional Officer in March 1986, Departmental Officer from July 1995 to January 1998 and Vice-President since July 1999. He holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees and Managing Officer of Fundação Bradesco, and as a member of the Board of Directors and Managing Officer of FIMADEN. Mr. Socha was an Officer of BCN S.A. from December 1997 to November 1998. At that time, he became Vice-President of BCN, a position he held until July 1999. He was also Vice-President of ABECIP — Brazilian Association of the Entities of Home Loans and Savings from November 1999 to March 2002, and was a Member of the Deliberation Council from March 2002 to November 2003.

Julio de Siqueira Carvalho de Araújo, Vice-President: Mr. Carvalho de Araújo began his career in March 1978 at Banco BCN S.A., a financial institution that we acquired in 1997. He has held a variety of positions within the banking sector, including appointments as a Bradesco Officer in October 1989 and Vice-President of BCN from May 1995 to August 2000. Since August 2000, he has been one of our Vice-Presidents. He also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees and Managing Officer of Fundação Bradesco, and a member of the Board of Directors and Managing Officer of FIMADEN. In addition to these activities, he serves as a member of the Board of Directors of Companhia Brasileira de Liquidação e Custódia (CBLC) and of BM&FBOVESPA, a member of the Board of Directors of Interbank Chamber of Payments — CIP, and a member of the Deliberative Board of the Brazilian Association of Real State Credit and Savings Entities — ABECIP.

José Luiz Acar Pedro, Vice-President: Mr. Pedro received a degree in business administration from the Santana College of Economic and Accounting Sciences at São Judas Tadeu University in São Paulo/SP. He began his career in January 1971 at Banco BCN S.A., a financial institution that we acquired in December 1997. Mr. Pedro has held a variety of positions within the banking sector, including appointments within Bradesco as an Officer in June 1986, an Executive Officer in May 1996 and CEO of BCN from March 1999 to March 2004. In February 2003, he was elected Executive Vice-President of Banco Bradesco S.A., a position which he currently holds. He also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees and Managing Officer of Fundação Bradesco, and as a member of the Board of Directors and Managing Officer of FIMADEN. Previously, until March 2004, Mr. Pedro was also the CEO of Banco Mercantil de São Paulo S.A and of Banco Boavista Interatlântico S.A., and he continues to serve as an Officer of the latter. He has been a member of the Board of Directors of ABRASCA, a member of the Board of Directors of CPM S/A and CPM Holdings Ltd., a member of the Board of Directors of the Instituto Brasileiro de Relações com Investidores — IBRI, Vice-President of FEBRABAN and FENABAN, and Treasury Officer of the banks unions in the States of São Paulo, Paraná, Mato Grosso and Mato Grosso do Sul. He has also served as Chairman of BCN Corretora de Títulos e Valores Mobiliários S.A.; CEO and a member of the Advisory Board of BCN Asset Management S.A.; CEO of Potenza S.A. Processamento de Dados; Officer of Financiadora BCN S.A. — Crédito, Financiamento e Investimentos; a member of the Oversight Board of Fundação Nacional da Qualidade — FNQ; and CEO of Instituto Brasileiro de Relação com os Investidores — IBRI.

Norberto Pinto Barbedo, Vice-President: Mr. Barbedo received an accounting degree from Tibiriçá College of Accounting Sciences. He began his career in January 1968 at Banco BCN S.A., a financial institution that we acquired in December 1997. Mr. Barbedo has held a variety of positions within the banking sector, including

appointments within Bradesco as an Officer in October 1989 and Executive Officer and Vice-President of Banco BCN S.A. from December 1997 to March 2004. In February 2003, Mr. Barbedo was appointed one of our Executive Officers and Vice-Presidents. He also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees, Managing Officer of Fundação Bradesco, a member of the Board of Directors and Managing Officer of FIMADEN. Prior to that, until March 2004, Mr. Barbedo was Vice-President of Banco Mercantil de São Paulo S.A and of Banco Boavista Interatlântico S.A., and continues to serve as Officer of the latter. He also served as Officer of BCN Corretora de Títulos e Valores Mobiliários S.A., Officer of Financiadora BCN S.A. — Crédito, Officer of Financiamento e Investimentos, Vice-President of Banco Zogbi S.A. and Vice-President of Potenza S.A. Processamento de Dados.

Domingos Figueiredo de Abreu, Vice-President: Mr. Abreu received a degree in economics from College of Economic Sciences of Mogi das Cruzes and a degree in accounting from College of Economic Sciences and Administration of OSASCO — FEAO. Mr. Abreu began working at Bradesco in December 1981. He has held a variety of positions within the banking sector, including appointments within Bradesco as Departmental Officer in June 2001 and Managing Officer since March 2002. Previously, he served as an Officer of BCN S.A. from December 1997 to June 2001. Mr. Abreu also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees of Fundação Bradesco and a member of the Board of Directors of FIMADEN. Since October 2001, he has held the position of Alternate Officer of CPM S.A., where he also served as a member of the Board of Technical Administration from June 1998 to May 1999.

José Alcides Munhoz, Managing Officer: Mr. Munhoz began working at Bradesco in October 1970. He has held a variety of positions within the banking sector, including appointments within Bradesco as Regional Officer in March 1989, Departmental Officer in January 1995, Deputy Managing Officer in March 1998, and Managing Officer since March 1999. In May 2004, he was elected Officer of Bradesco Consórcios Ltda. He also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees of Fundação Bradesco and a member of the Board of Directors of FIMADEN.

Milton Matsumoto, Managing Officer: Mr. Matsumoto received a degree in business administration from UNIFIEO — University Center FIEO of Osasco. He began working at Bradesco in September 1957. He has held a variety of positions within the banking sector, including appointments within Bradesco as Departmental Officer in March 1985, Assistant Officer in March 1998, and Managing Officer since March 1999. Mr. Matsumoto also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees of Fundação Bradesco and a member of the Board of Directors of FIMADEN. He also serves as an alternate member of the Board of Directors of CPM Holdings Ltd., CPM S.A.; Secretary Officer of the union of the credit, financing and investing companies of the State of São Paulo, where he previously was the Vice-President and Alternate Officer; and Secretary Officer of FENACREFI — Interstate Federation of Loan, Financing and Investment Institutions. He was an Officer of Bradesco S.A. Corretora de Títulos e Valores Mobiliários from January 1984 to March 1985, and the first Secretary Officer of the Bank Union in the States of São Paulo, Paraná, Mato Grosso and Mato Grosso do Sul from June 1989 to May 1998.

Odair Afonso Rebelato, Managing Officer: Mr. Rebelato began working at Bradesco in August 1960. He has held a variety of positions within the banking sector, including appointments within Bradesco as Regional Officer in March 1989, Departmental Officer in March 1998, and Managing Officer since August 2001. Mr. Rebelato also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees of Fundação Bradesco and a member of the Board of Directors of FIMADEN.

Aurélio Conrado Boni, Managing Officer: Mr. Boni began working at Bradesco in February 1971. He has held a variety of positions within the banking sector, including appointments within Bradesco as Departmental Officer in December 1997 and Managing Officer since December 2001. Mr. Boni also holds a variety of positions within Grupo Bradesco, including positions as a member of the Board of Trustees of Fundação Bradesco and a member of the Board of Directors of FIMADEN.

Ademir Cossiello, Managing Officer: Mr. Cossiello received a degree in economics from Faculdades Padre Anchieta. He began working at Bradesco in October 1973. He has held a variety of positions within the banking sector, including appointments within Bradesco as Regional Officer in January 1995 and Departmental Officer from March 1998 until September 1999. In June 2003, he became Executive Managing Officer, a position he continues to

hold. Mr. Cossiello also serves as a member of the Board of Trustees of Fundação Bradesco and a member of the Board of Directors of FIMADEN. Since August 2003, he has been a member of the Deliberative Council of the Commerce Association of São Paulo, where he previously held the position of member of the deliberative board from February to September 1999. He was an Officer and Managing Officer at Banco Baneb S.A. from June 1999 to October 2001. From October 2001 to March 2004, he served as Managing Officer of Banco BCN S.A., and from January 1995 to January 1997, he was Officer of ASBAN — Associação de Bancos no Estado de Goiás.

Sérgio Alexandre Figueiredo Clemente, Managing Officer: Mr. Clemente received a degree in Mechanical Engineering from PUC — Pontifícia Universidade Católica de Minas Gerais (Catholic University of Minas Gerais) and an executive MBA in Finance from IBMEC (Capital Markets Brazilian Institute), and has obtained a further specialization in Finance through the Executive Management Development Program (PDG) administered by the Business Development Corporation. Mr. Clemente is currently attending the Advanced Management Program (PGA), administered by Fundação Dom Cabral and INSEAD. Mr. Clemente joined Banco BCN S.A. in May 1996 as an Assistant Officer. In January 1998, he was elected as a member of the Board of Directors. As a result of our acquisition of BCN, Mr. Clemente joined our staff and was elected Departmental Officer in March 2000, as Officer responsible for the Corporate Department, and, in December 2006, became Executive Managing Officer, the position he continues to hold. He is also a member of the governing board of Fundação Bradesco.

Candido Leonelli, Managing Officer: Mr. Leonelli received a degree in electronic engineering from Escola de Engenharia Mauá and postgraduation degree in financial administration from FEA-USP (Business and Economics College – University of São Paulo), macroeconomics from FGV-SP (Getulio Vargas Foundation), an Advanced Management Program, International Senior Management Program from Harvard Business School. He began his career at the Bradesco group in January 1980 as a Marketing Officer at Scopus Tecnologia Ltda. In August 1997, he was elected as Department Officer of Banco Bradesco S.A., a position he held since April 1998, together with his positions as Member of the Board of Directors and Chief Executive Officer that he already held at Scopus. In July 2009, he was elected as a Managing Officer of Bradesco at which time he resigned as Chief Executive Officer of Scopus. He is a member of Fundação Bradesco's Managing Body and of the Board of Directors of the Foundation Institute for Digestive System and Nutrition Diseases (FIMADEN). He was a Deputy Member of the Board of Directors of Tecnologia Bancária S.A.; member of the Board of Directors, CEO, Management Officer and Controller of Scopus Informática S.A. and Chief Executive Officer of DIGILAB – Laboratório Digital Ltda.

Maurício Machado de Minas, Managing Officer: Mr. Machado received a degree in electrical engineering from Escola Politécnica da USP – Universidade de São Paulo (São Paulo University). He started his career at Banco Bradesco S.A. in July 2009 as Managing Officer, being also a Member of the Board of Directors of the Foundation Institute for Digestive System and Nutrition Diseases (FIMADEN). Previously, he was a senior analyst at Banco Itaú, Technical Support Officer of Eletrodigi, Flexidisk and Polymax, Executive Vice President of CPM Ltda., Senior Vice President of CPM S.A. and of CPM Braxis S.A.

Conflicts of Interests

As at the date of this Base Prospectus, the members of our Board of Directors and members of our Board of Executive Officers do not have any potential conflicts of interests that are material to the Notes, between any duties to us and their private interests, or other duties.

Compensation

At the annual shareholders assembly, our shareholders establish the maximum aggregate compensation of the members of our Board of Directors and Board of Executive Officers for the ensuing year.

In 2009, our Directors and Executive Officers received aggregate compensation of R\$169.2 million for their services, whether as members of the Board of Directors or Board of Executive Officers, as applicable, or as providers of services to our shareholders. In 2008, our Directors and Executive Officers received aggregate compensation of R\$250.4 million. No part of the aggregate compensation was paid as part of a profit sharing plan or in the form of stock options.

Our directors and executive officers are eligible to participate in the same complementary retirement pension plans available to all our employees.

Board Practices

Our shareholders elect the members of our Board of Directors at the annual general shareholders meeting for one-year terms; the directors can be re-elected for consecutive terms. The Board of Directors appoints the members of our Board of Executive Officers for one-year terms, which can also be extended for consecutive terms.

To become a member of our Board of Executive Officers, one must have worked for us or our affiliates for a minimum of ten consecutive years and be less than 65 years old at the time of appointment. There are 36 departmental officers and nine regional officers on the Board of Executive Officers. The departmental and regional officers direct the business of each of our various divisions and branches and report to the Board of Executive Officers. To become a departmental or regional officer, one must be an employee or executive officer at Bradesco or one of our affiliates and be less than 62 years old, in the case of departmental officers, or less than 60 years old, in the case of regional officers, at the time of appointment. Our Board of Directors may waive the fulfillment of the period of employment requirement with respect to up to 25% of our Managing Officers, Departmental and Regional Officers, with the exception that the requirement cannot be waived with respect to persons appointed as President or Vice-President. The members of our Board of Executive Officers are required to work exclusively for us, unless our Board of Directors grants an exception.

Members of our Board of Directors are not required to be or to have been our employees, and service as a member of our Board of Directors does not constitute employment with us.

Fiscal Council

Under Brazilian law, corporations may have a *conselho fiscal* (or fiscal council), which is an independent corporate body, with general monitoring and supervision powers as set forth in the Brazilian Corporate Law. Our by-laws provide for a fiscal council and specify that, if our shareholders convene a fiscal council, it shall have from three to five members.

Our fiscal council has three members (Domingos Aparecido Maia, Nelson Lopes de Oliveira and Ricardo Abecassis Espírito Santo Silva) and three alternates (João Batistela Biazon, Jorge Tadeu Pinto de Figueiredo and Renaud Roberto Teixeira) all of whom were appointed on March 10, 2009 and reelected on March 10, 2010. In accordance with Brazilian Corporate Law, our fiscal council has the right and obligation to, among other things:

- through any of its members, supervise the actions of our managers and to verify the fulfillment of their duties;
- review our financial statements, including the explanatory notes to the financial statements, the independent auditor's report and any management reports, prior to their disclosure;
- review and issue opinions regarding our financial statements prior to their disclosure, including the explanatory notes to the financial statements, the independent auditor's report and any management reports;
- opine on any management proposals to be submitted to the shareholders' meeting related to:
 - changes in our share capital,
 - issuances of debentures or rights offerings entitling the holder to subscribe for equity,
 - investment plans and capital expenditure budgets,
 - distributions of dividends, and

- transformation of our corporate form and corporate restructurings — that is, mergers and spin offs;
- inform our management of any error, fraud, or felony it discovers and suggest measures management should take in order to protect our best interests, and, if our management fails to take these necessary steps, to inform the shareholders' assembly; and
- call general shareholders' assemblies if management delays the general shareholders' assembly for more than one month and call special shareholders' meetings in case of material or important matters.

Board Committees

Audit Committee

Pursuant to our bylaws and Central Bank requirements, our audit committee, since July 2004, has three to five members, each of whom serves a term of one year. Members are appointed by, and may be re appointed or replaced by, the Board of Directors. The current members of the committee are Hélio Machado dos Reis, José Lucas Ferreira de Melo and Romulo Nagib Lasmar. We believe that our audit committee is able to act independently in performing the responsibilities of an audit committee under the U.S. Sarbanes-Oxley Act of 2002.

The responsibilities of the audit committee include:

- establishing its own rules of operation;
- recommending to the Board of Directors which outside firm should be hired to provide independent audit services and the amount of compensation such firm should receive;
- reviewing financial statements prior to their disclosure, including the explanatory notes to the financial statements, the independent auditor's report and any management reports;
- establishing policies and procedures for responding to any reports or allegations of a failure to comply with applicable legal requirements or internal codes and regulations, including procedures to ensure the confidentiality and protection of any person providing information regarding such failures;
- evaluating the work of both the internal and the independent auditors, including their compliance with applicable legal obligations and internal regulations and codes;
- meeting with the Executive Officers and both the independent and the internal auditors at least quarterly;
- assessing the Board of Directors' responsiveness to any recommendations made by the independent or internal auditors;
- advising the Board of Directors regarding any conflicts between the external auditors and the Board of Executive Officers;
- recommending policies, practices and procedures for improving the performance of the Board of Directors; and
- following up on its recommendations and requests for information, including confirmation that its recommendations and reports are memorialized in our records.

Internal Control and Compliance Committee

The internal control and compliance committee has three to six members, each with a term of one year. Members are appointed by, and may be replaced by, the Board of Directors. All committee members must be on the Board of Directors and the Board of Executive Officers.

The committee's primary responsibility is to assist the Board of Directors with the performance of its duties related to the adoption of strategies, policies and measures governing internal controls, mitigation of risks, and compliance with applicable rules.

Compensation Committee

The compensation committee has three to five members, all of whom are members of the Board of Directors, and each of whom serves a term of one year. Members are appointed by, and may be re-appointed or replaced by, the Board of Directors.

The committee's primary responsibility is to provide the Board of Directors with proposed policies and guidelines related to the compensation of our Executive Officers. The compensation is to be based on performance targets established by the Board of Directors.

Ethics Committee

The ethics committee is comprised of up to eight members, each of whom serves for a one-year term. Members are appointed and may be replaced by the Board of Directors. The committee's primary responsibility is to implement actions to ensure the enforcement of our Code of Ethics and to promote awareness of it by our employees and management.

Employees

As of December 31, 2009, we had 85,072 employees (of which 68,962 were employed by Banco Bradesco and 16,110 were employed by our subsidiaries), compared to 86,622 employees at December 31, 2008.

The following table sets forth the number of our employees and a breakdown of employees by main category of activity as of the dates indicated:

	As of December 31,		
	2009	2008	2007
Bradesco	68,962	69,411	65,050
Bradesco's subsidiaries	16,110	17,211	17,054
Total number of employees	85,072	86,622	82,773

We generally hire our employees at the entry level, and encourage them to remain with us throughout their careers. In filling all positions, we give preference to candidates from within Bradesco, including middle management and senior positions. We also hire laterally from the marketplace, but to a lesser extent.

We consider our relations with our employees as well as with the labor unions to be good, in large part due to our philosophy of internal recruiting and open communication. We have not experienced any strikes during the past three years. We are a party to two collective bargaining agreements: one relating to our banking employees and the other to our insurance sector employees.

We offer our employees benefits which include a Bradesco Saúde health plan which permits beneficiaries to choose their doctors, hospitals and dentists throughout the country, supplementary retirement and pension plans, and subsidized life and accident insurance. We also have a team of social workers and psychiatrists who work with our employees and their dependents. These benefits apply regardless of the employee's position. In accordance with our collective bargaining agreement, we also offer our employees profit-sharing compensation plans.

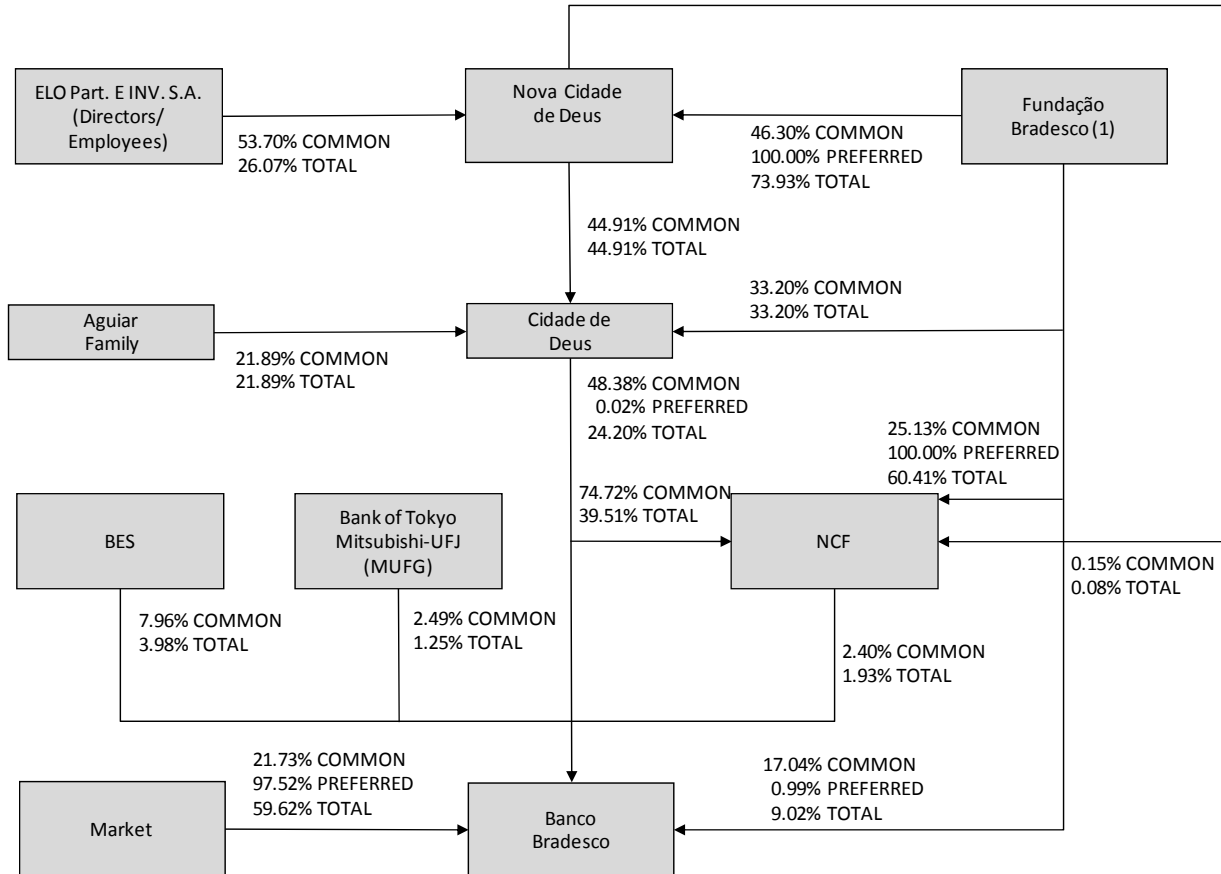
We also offer professional training to our employees through, among others, a proprietary online training system (which we call *Treinet*) and partnerships with universities and educational institutions. In 2009, we invested approximately R\$86.8 million in training and skills improvement courses for 2,016,868 participants. In 2008, we invested approximately R\$91.3 million in courses for 1,537,946 participants. Our professional training department prepares and delivers personnel training courses in operating, technical and behavioral areas.

PRINCIPAL SHAREHOLDERS

The following replaces “Principal Shareholders” beginning on page B-128 of the Base Prospectus.

We are a publicly held corporation with 1,713,543,005 common shares (3,338,170 of which are held in treasury) and 1,713,542,828 preferred shares (3,197,260 of which are held in treasury), and had a total of 3,427,085,833 shares outstanding as of December 31, 2009, all of which are nominative and book entry shares with no par value. See “Capitalization”.

The following chart illustrates our capital ownership structure as of December 31, 2009:



As illustrated, a holding company, Cidade de Deus Participações, directly and indirectly owned as of December 31, 2009, 49.33% of our voting capital and 24.96% of our total capital stock. Cidade de Deus Participações, in turn, is owned by the Aguiar family, Fundação Bradesco, and another holding company, Nova Cidade de Deus Participações S.A. (“**Nova Cidade de Deus**”). Nova Cidade de Deus is largely owned by Fundação Bradesco and Elo Participações.

The following is a brief description of our principal beneficial shareholders as of December 31, 2009. None of the principal beneficial shareholders have voting rights that differ from those of the other holders of our common shares.

Cidade de Deus Participações

Cidade de Deus Participações is a holding company that was organized in 1946 in order to hold investments in other companies. It also manages, purchases and sells securities and other assets on its own account. Its shareholders are Nova Cidade de Deus, with direct holding of 44.91% of its common and total shares, Fundação Bradesco, with direct holdings of 33.20% of its common and total shares, and the Aguiar family, with direct holdings of 21.89% of

its common and total shares as of December 31, 2009. The company's capital stock consists of common, nominative book-entry shares, with no par value.

Nova Cidade de Deus

Nova Cidade de Deus is a holding company that was organized in 1976 in order to hold investments in other companies, particularly those that directly or indirectly own our voting capital. As of December 31, 2009, the company owned, through its participation in Cidade de Deus Participações and NCF, 22.16% of our common shares and 11.21% of our total shares.

The stock of Nova Cidade de Deus is divided in class A and class B common shares and one class of preferred shares. Ownership of the class B common shares is limited to:

- members of our Board of Executive Officers;
- former members of our Board of Executive Officers who have become members of our Board of Directors;
- former members of our Board of Executive Officers who have become members of the Board of Directors of one or more of our subsidiaries; and
- companies in which the majority of the voting interest is owned by the individuals above.

Ownership of Nova Cidade de Deus' Class "A" common shares is limited to the persons entitled to own Class B common shares and any commercial or civil associations and private foundations managed by them or their appointed representatives. Only the class A and class B common shareholders in Nova Cidade de Deus have voting rights.

The Aguiar Family

As of December 31, 2009, three members of the Aguiar family, along with the estate of Mr. Amador Aguiar, indirectly owned, by way of their participation in Cidade de Deus Participações, 10.80% of our common shares and 5.46% of our total shares.

Fundação Bradesco

As of December 31, 2009, Fundação Bradesco, directly and indirectly through its participation in Cidade de Deus Participações, Nova Cidade de Deus and NCF, owned 51.25% of our common shares and 26.77% of our total shares. Under the terms of Fundação Bradesco's by-laws, all of our directors, members of the Board of Executive Officers and departmental officers, as well as all directors and officers of Cidade de Deus Participações, serve as members of the board of trustees of Fundação Bradesco ("**Mesa Regedora**"). They receive no compensation for their service on the Mesa Regedora.

Fundação Bradesco, the center of our charitable activities, was founded in 1956 to invest in the development and education of children and adults in Brazil. It now has activities throughout Brazil, providing educational support to children, adolescents and adults, especially those with the greatest needs.

In 2009, Fundação Bradesco offered free education to 108,825 students through the schools it runs, which are located in all the states of Brazil as well as the federal district. Its programs include adult education and professional skills development courses. Over 50,000 students from kindergarten, primary and secondary schools and technical training receive free meals, uniforms, school supplies, and medical and dental care.

Fundação Bradesco's Virtual School has offered training to over 300,000 students through E-Learning and on-site courses at its center for digital inclusion (CID).

Elo Participações & Investimentos

Elo Participações is a holding company that was organized in 1998 to hold interests in our capital and in the capital of our indirect and direct shareholders. Only members of our Board of Directors, members of our Board of Executive Officers and certain qualified employees of Banco Bradesco, Bradespar, and our subsidiaries may own shares in Elo Participações. However, only the members of the Board of Directors and the Board of Executive Officers may own voting shares. Most of our board members and executive officers own shares in Elo Participações. Elo Participações indirectly owned, through its participation in Nova Cidade de Deus, approximately 5.78% of our common shares and 2.92% of our total shares as of December 31, 2009.

BES

BES is a financial group headquartered in Lisbon, Portugal. As of December 31, 2009, BES directly owned 7.96% of our common shares and 3.98% of our total shares. BES currently maintains one representative on our Board of Directors.

NCF

NCF Participações S.A. is a holding company controlled by Cidade de Deus Participações and Fundação Bradesco. As of December 31, 2009, NCF directly owned 2.40% of our common shares and 1.93% of our total shares.

Others

Direct public holdings represented 24.22% of our voting capital as of December 31, 2009 (including equity voting capital of 2.49% held by Bank of Tokyo Mitsubishi - UFJ and 60.87% of our total shares).

Dividend Policy

Our by-laws require our Board of Directors to recommend, at each annual general shareholders' meeting, that our net income for the fiscal year be allocated as follows:

- (i) 5% to a legal reserve, not to exceed 20% of our paid-in capital during each fiscal year. This requirement does not apply in fiscal years when the legal reserve, added to our other capital reserves, exceeds 30% of our paid-in capital;
- (ii) an amount (to be determined by our shareholders based on probable potential losses) to a contingency reserve against future losses;
- (iii) at least 30% (after legal and contingency reserves are allocated) for mandatory distribution to our shareholders; and
- (iv) any outstanding balance to a statutory profit reserve for the maintenance of an operating margin, compatible with our lending business, but not to exceed 95% of our paid-in capital.

Our by-laws also authorize our shareholders to allocate an amount to a realizable revenue reserve. Historically, our shareholders have not allocated amounts to this reserve.

We must pay a minimum mandatory annual dividend of 30% of our net income within 60 days of our annual general shareholders' meeting. However, Brazilian law allows for the suspension of the payment of mandatory dividends if our Board of Directors reports at the shareholders' meeting that the distribution would not be appropriate in light of our financial condition, and our shareholders approve the suspension by a simple majority of votes. Under Brazilian Corporate Law, a Board of Directors is required to file a report justifying the suspension with the CVM within five days of the shareholders' meeting. The income that is not distributed as dividends as a result of the suspension must be allocated to a special reserve. If not absorbed by subsequent losses, the amounts in the reserve have to be paid as dividends as soon as our financial condition permits.

Our preferred shareholders are entitled to receive dividends per share in an amount 10% greater than the dividends per share paid to the common shareholders.

Our Board of Executive Officers, subject to the approval of our Board of Directors, may distribute dividends based on the profits reported in interim financial statements. The amount of interim dividends distributed cannot exceed the amount of our capital reserves. Our Board of Executive Officers determines the amount of the interim dividends to be distributed based on either previously accumulated profits or retained earnings.

Since 1970, we have been distributing interim dividends on a monthly basis. Currently, we maintain an automatic monthly system for the payment of interest on shareholders' capital to our shareholders.

Consistent with Brazilian law, our by laws allow our Board of Executive Officers, upon approval by the Board of Directors, to make distributions in the form of interest on capital instead of dividends. Payments of interest on capital may be included as part of any mandatory dividend. Since July 1997, we have been making monthly payments of interest on capital in an amount approved by our Board of Directors prior to the declaration of dividends at the end of each year. The amounts paid as interest on capital net of withholding income tax are deducted from the amount of the dividends declared. See "Management's Discussion and Analysis of Financial Condition and Results of Operation — Certain Factor Affecting Our Financial Performance — Taxes".

According to Brazilian law, a shareholder who does not receive payment of a dividend may initiate a proceeding for the collection of dividends within three years from the date we declare the dividend. After the three year period, the unclaimed dividends revert to the company.

CERTAIN TRANSACTIONS WITH RELATED PARTIES

The following supplements “Certain Transactions With Related Parties” beginning on page B-133 of the Base Prospectus.

Other Matters

MUFJ and BES (which, as of December 31, 2009, owned respectively, 1.25% and 3.98% of our total shares) provide credit lines to us for trade related transactions. The terms of these transactions are consistent with similar transactions which we engage in with other, unrelated entities.

BRAZILIAN FINANCIAL SERVICES INDUSTRY AND REGULATIONS

The following section replaces “Brazilian Financial Services Industry and Regulations” beginning on page B-134 of the Base Prospectus.

Principal Financial Institutions

As of December 31, 2009, 10 public sector commercial and multiple-service banks were controlled by the Brazilian federal and state governments and 147 commercial and multiple-service banks were owned and operated by the private sector. As defined by Brazilian regulations, insurance companies, private pension plans and saving bonds providers are not considered financial institutions.

Public Sector Financial Institutions

The Brazilian federal and state governments control various commercial banks and financial institutions. The primary purpose of these institutions is to foster economic development. Government-owned banking institutions play an important role in the Brazilian banking industry. These institutions hold a significant portion of the banking system’s total deposits and total assets and are the major lenders of government funds to industry and agriculture. In the last eight years, several public sector multiple-service banks have been privatized and acquired by Brazilian and foreign financial groups.

The primary government-controlled banks include:

- *Banco do Brasil*, a bank controlled by the Brazilian federal government which provides a full range of banking products to the public and private sectors. Banco do Brasil is the largest multiple-service bank in Brazil and the primary financial agent of the federal government;
- *BNDES*, a development bank wholly-owned by the Brazilian federal government which provides medium- and long-term financing to the Brazilian private sector. BNDES’ activities include managing the federal government’s privatization program; and
- *Caixa Econômica Federal*, a multiple-service bank wholly-owned by the Brazilian federal government which acts as the principal agent of the government-regulated system for providing housing financing. Caixa Econômica Federal is ranked first among Brazilian banks in terms of savings accounts and housing financing.

Private Sector Financial Institutions

As of December 31, 2009, private sector financial institutions operating in the Brazilian financial sector principally included:

- 147 commercial and multiple-service banks providing a full range of commercial banking, investment banking (including securities underwriting and trading), consumer financing and other services including fund management and real estate finance;
- 16 investment banks engaged primarily in specialized credit operations and securities underwriting and trading; and
- 55 consumer credit companies, 125 securities dealerships, 106 brokerage companies, 34 leasing companies and 16 savings associations and real estate credit companies.

Principal Regulatory Agencies

The basic institutional framework of the Brazilian financial system was established in 1964 by Law No. 4,595 (the “**Banking Reform Law**”). The Banking Reform Law created the Central Bank and the CMN.

The CMN

The CMN, currently the highest authority responsible for Brazilian monetary and financial policy, is responsible for the overall supervision of Brazilian monetary, credit, budgetary, fiscal and public debt policies. The CMN is responsible for:

- regulating credit operations engaged in by Brazilian financial institutions;
- regulating the issuance of Brazilian currency;
- supervising Brazil's reserves of gold and foreign exchange;
- determining Brazilian saving, foreign exchange and investment policies;
- regulating the Brazilian capital markets;
- regulating the constitution and operation of financial institutions; and
- protecting the liquidity and solvency of financial institutions.

The Central Bank

The Central Bank is responsible for:

- implementing the currency and credit policies established by the CMN;
- regulating and supervising public- and private-sector Brazilian financial institutions;
- controlling and monitoring the flow of foreign currency to and from Brazil; and
- overseeing the Brazilian financial markets.

The president of the Central Bank is appointed by the president of Brazil for an indefinite term of office subject to ratification by the Brazilian senate.

The Central Bank supervises financial institutions by:

- setting minimum capital requirements, compulsory deposit requirements and operational limits;
- having the power to authorize corporate documents, capital increases, establishments or transfers of principal places of business or branches (whether in Brazil or abroad);
- having the power to authorize shareholder changes of control of financial institutions;
- requiring the submission of annual and semi-annual audited financial statements, quarterly revised financial statements and monthly unaudited financial statements;
- requiring full disclosure of credit and foreign exchange transactions, import and export transactions and other related economic activities on a daily basis; and
- acting as a depository of gold and foreign currency reserves.

The CVM

The CVM is responsible for regulating the Brazilian securities markets in accordance with the securities and exchange policies established by the CMN.

Pursuant to Law No. 10,303 of October 31, 2001, the regulation and supervision of financial investment funds (originally regulated and supervised by the Central Bank) were transferred to CVM. On July 5, 2002, CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for transfer of such duties to CVM.

The main responsibilities of the CVM are:

- implementing and regulating the securities and exchange policies established by the CMN;
- controlling and supervising the Brazilian securities market by:
- approving, suspending and canceling the registration of public companies, the authorization for brokers and dealers to operate in the securities market and public offerings of securities;
- supervising the activities of public companies, stock exchanges, commodities and futures exchanges, market members, and financial investment funds and variable income funds;
- requiring full disclosure of material events affecting the market, annual and quarterly reporting by public companies; and
- imposing penalties.

The CVM is administered by one president and four directors appointed by the President of Brazil from individuals of good reputation and recognized expertise in the capital markets and is approved by the Senate. CVM directors are appointed with a single five year term, and one-fifth of the members must be renewed on a yearly basis.

Bank Regulations

Principal Limitations and Restrictions on Activities of Financial Institutions

Under the Banking Reform Law and regulations issued by the CMN and the Central Bank, a financial institution operating in Brazil:

- may not operate without the prior approval of the Central Bank and, in the case of foreign banks, authorization by presidential decree;
- may not invest in the equity of any other company above the regulatory limits;
- may not lend more than 25% of its net worth to any single person or group;
- may not own real estate, except for its own use and in certain limited cases; and
- may not extend credit to or guarantee transactions of:
 - any individual that controls the institution or holds, directly or indirectly, more than 10% of its share capital;

- any entity that controls the institution or with which it is under common control, or any officer, director, member of its advisory board or fiscal council, or any immediate or extended family member of such individuals;
- any entity that, directly or indirectly, holds more than 10% of its shares (with some exceptions subject to the prior approval of the Central Bank);
- any entity that it controls or of which it directly or indirectly holds more than 10% of the share capital;
- any entity whose board of executive officers is made up of the same or substantially the same members as its own board of executive officers; or
- its executive officers and directors (including their immediate families) or any company controlled by its executive officers and directors or their immediate or extended families or in which any of them, directly or indirectly, holds more than 10% of the share capital.

The restrictions with respect to transactions with related parties do not apply to transactions entered into by financial institutions in the interbank market.

Capital Adequacy and Leverage

Brazilian financial institutions are subject to a capital measurement and standards methodology based on a weighted risk asset ratio. The framework of such methodology is similar to the international framework for minimum capital measurements as adopted in the Basel Accord. The requirements imposed by the Central Bank differ from the Basel Accord in a few respects. Among other differences, the Central Bank:

- imposes a minimum capital requirement of 11% in lieu of the 8% minimum capital requirement of the Basel Accord;
- requires an additional amount of capital with respect to off balance sheet interest rate and foreign currency swap transactions;
- assigns different risk weights to certain assets and credit conversion amounts, including a risk weighting of 300% on tax credits relating to income and social contribution taxes; and
- requires banks, pursuant to CMN Resolution No. 3,490 of August 29, 2007 and Central Bank Circular No. 3,383 of April 30, 2008, to set aside a portion of their equity to cover operational risks (i.e., losses arising from failures, deficiency or inadequacy of internal proceedings, personnel or systems, including those due to external events). Such resolution became effective as from July 1, 2008, and the required portion of their equity varies from 12% to 15% of amounts representing averages of income arising from financial intermediation.

In accordance with CMN Resolution No. 3,444, as amended, the reference assets of Brazilian financial institutions is represented by the sum of Level 1 and Level 2 assets and is taken into consideration when determining their capital adequacy.

- Level 1: Corresponds to the sum of amounts corresponding to net assets, the balance of profit and loss accounts of creditors and deposits in escrow accounts to cover capital shortages (pursuant to the terms of CMN Resolution No. 3,398 of August 29, 2006), excluding amounts corresponding to: (1) debtor profit and loss account balances; (2) re-evaluation reserves, contingency reserves and special reserves for profits relating to non-distributed obligatory dividends; (3) preferential shares issued with a redemption clause and preferential shares with the accumulation of dividends; (4) tax credit (stipulated by CMN Resolution No. 3,059 of December 20, 2002); (5) permanent deferred assets, discounting the goodwill paid in the acquisition of investments; and (6) 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.

- Level 2: Corresponds to the sum of amounts corresponding to re-evaluation reserves, contingency reserves and special profit reserves relating to non-distributed mandatory dividends added to amounts corresponding to: (1) hybrid capital (as defined in CMN Resolution No. 3,532 of January 31, 2008) and debt contracts, subordinated debt contracts, preferential shares issued with a redemption clause and preferential shares with the accumulation of dividends issued by financial institutions; and (2) 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 value of Level 2 may not exceed the total value of Level 1, when: (i) the sum of re-evaluation reserves is limited to 25% of the value of Level 1; (ii) the value of preferential shares issued with a redemption clause with an original valid date of under 10 years, plus the value of subordinated debt contracts, is limited to 50% of the value of Level 1; and (iii) a 20% reducer should be applied to the value of subordinated debts and preferential shares issued with a redemption clause comprising Level 2 for each year of five-year period immediately preceding the respective maturity date.

Financial institutions are required to calculate their reference equity on a consolidated basis. Since July 2, 2007, the balance of assets represented by shares, hybrid instruments, subordinated debt and other Level 1 and 2 financial instruments have been deducted from reference equity. In addition, the following will be deducted from reference equity: (i) amount paid into investments fund’s capital, proportionate to the interest in the fund portfolio; (ii) amount related to: (a) acquisition or indirect interest in financial conglomerates, through any non-financial affiliated entity; (b) assets for subordinated transactions from investments in permanent assets related to the regulations in effect at that time; and (c) assets for subordinated transactions delivered or placed by third-parties in order to implement active subordinated operations.

On December 16, 2009, the CMN enacted Resolution No. 3,825, which revoked CMN Resolution No. 3,674 of December 30, 2008. As a result, commencing as of April 1, 2010, provisions made by Brazilian banks to cover possible losses arising from credit transactions that exceed the requirements set forth by CMN Resolution No. 2,682 will no longer be eligible to be accounted for as Level 1 Capital.

In addition to minimum capital and shareholders’ equity requirements, financial institutions must also maintain a level of reference equity that is compatible with the risks exposed to their assets, liabilities and compensation accounts. Financial institutions may only distribute their profits that exceed the legal capital adequacy requirement.

According to Resolution No. 2,723, the financial institutions, except credit unions, must keep consolidated accounting records (including for the purposes of calculation of their capital requirements), of their corporate holdings whenever, directly or indirectly, individually or jointly with other partners (even when based on voting trusts) the institutions hold a controlling interest in the investees. When capital control is not involved, the financial institution may opt for accounting by the equity accounting method in lieu of such consolidated accounting.

In June 2004, the Basel Committee on Banking Regulations and Supervisory Practices approved Basel II, a new framework for risk-based capital adequacy. The Basel II accord sets out the details for adopting more risk-sensitive minimum capital requirements for banking organizations. The CMN Resolution No. 3,380, issued on June 29, 2006, sets forth new procedures for the implementation of an operational risk internal structure whereby Brazilian banks were required to implement the principles of Basel II by the end of 2007. Financial institutions were required to present their procedures for the implementation of such new structures to the Central Bank by the end of 2006. We are currently in compliance with most of the principles established by Basel II and CMN Resolution No. 3,380 and are implementing additional structures in order to fully achieve the goals set forth by CMN Resolution No. 3,380.

Regulations Affecting Financial Market Liquidity

Brazilian Government Involvement in the Brazilian Banking System

In light of the global financial crisis, the President of Brazil sanctioned Provisional Measure No. 443 on October 21, 2008 (which became law through the enactment of Law No 11,908 of March 3, 2009) in order to increase the involvement of the Brazilian public sector in the Brazilian Banking System.

Provisional Measure No. 443 authorized: (i) Banco do Brasil S.A. and Caixa Econômica Federal, both financial institutions controlled by the Brazilian federal government, to, directly or indirectly, acquire participations in private and public financial institutions in Brazil, including insurance companies, social welfare institutions and capitalization companies, with or without the acquisition of the capital stock control; (ii) the creation of Caixa - Banco de Investimentos S.A., a wholly-owned subsidiary of Caixa Econômica Federal, with the objective of conducting investment bank activities; and (iii) the Central Bank to carry out currencies swap transactions with central banks of other countries.

Additionally, through Resolution No 3,656 of December 26, 2008, the CMN amended the by-laws of the FGC so that it can invest up to 50% of its net worth in: (i) the acquisition of credit rights of financial institutions and leasing companies; (ii) banking deposits with or without issuance of certificates, leasing bills (*letra de arrendamento mercantil*) and bills of exchange accepted by affiliated institutions, secured by: (a) credit rights constituted or to be constituted from respective transactions; or (b) other credit rights with an *in rem* or a personal guarantee; and (iii) linked transactions (*operações vinculadas*), pursuant to CMN Resolution No. 2,921 of January 17, 2002. The FGC may sell any assets acquired in transactions described in items (i), (ii) and (iii) of this paragraph.

Compulsory Deposit Requirements

The Central Bank imposes compulsory deposit and related requirements upon Brazilian financial institutions from time to time. The Central Bank uses reserve requirements as a mechanism to control the liquidity of the Brazilian financial system. Historically, the reserves imposed on demand deposits, savings deposits and time deposits have accounted for substantially all amounts required to be deposited with the Central Bank.

In light of the global financial crisis, the CMN and the Central Bank enacted measures to change Brazilian banking law in order to provide financial markets with greater liquidity. The Central Bank enacted Circular No. 3,405 on September 24, 2008, Circular No. 3,408 on October 8, 2008, Circular No. 3,410 on October 13, 2008, Circular No. 3,412 on October 14, 2008 and Circular No. 3,413 on October 14, 2008. All of these Circulars altered the level of bank reserves and compulsory deposits that financial institutions in Brazil had to maintain and deposit with the Central Bank.

Circular No. 3,405 and Circular No. 3,410 increased the amount that may be discounted from the additional reserve requirement from R\$30 million to R\$1.0 billion and amended Circular No. 3,375 in order to postpone the readjustment of mandatory deposits of funds relating to interbank deposits of commercial leasing companies raised by financial institutions.

Circular No. 3,408 and Circular No. 3,410 increased the amount that may be discounted from the time deposits compulsory requirement from R\$300 million to R\$2.0 billion and reduces the rate applicable to additional reserve requirements of time deposits and other types of demand deposits from 8% to 5%.

Circular No. 3,412 allows financial institutions to deduct the amount of its foreign currency acquisition transactions with the Central Bank from reserve requirements regarding interbank deposits of commercial leasing companies.

Circular No. 3,413 reduces the rate of compulsory deposits for demand deposits from 45% to 42%.

The Central Bank enacted Circular No. 3,407 on October 2, 2008, Circular No. 3,411 on October 13, 2008, Circular No. 3,414 on October 15, 2008 and Circular No. 3,417 on October 30, 2008, which permit financial institutions that acquire credit portfolios from small- and mid-sized financial institutions (i.e. those institutions with a reference

equity of up to R\$7 billion on August 31, 2008) to deduct the amount of such credit portfolio acquisitions to up to 70% of the reserves and compulsory deposits that such financial institution must maintain with the Central Bank. There is a cap of 20% per transferor financial institution on the use of this deduction. Such regulations were amended in September 2009 and now apply only to small financial institutions with a reference equity of up to R\$2.5 billion in December 2008.

Financial institutions may also deduct reserve requirements and clearing balance requirements on time deposits from the respective amounts disbursed for acquisition of certain: (i) credit rights resulting from leasing; (ii) fixed-income instruments issued by private non-financial entities; (iii) assets that make up receivables investment funds (*Fundo Prosper Flex*) (“**FIDCs**”); (iv) shares in FIDCs organized by the FGC; (v) shares of exclusive multimarket investment funds and fixed income investment funds owned by the FGC, with portfolios mainly consisting of time deposits, bills of exchange and leasing bills issued by financial conglomerates or financial institutions with the Level 1 portion of its reference equity of up to R\$2.5 billion in December 2008; and (vi) interbank deposits of unrelated financial institutions.

On October 24, the Central Bank enacted Circular No. 3,416, which permits financial institutions to deduct the amount equal to the anticipated contribution to the FGC from the compulsory deposits of demand deposits.

On October 6, 2008, the President of Brazil sanctioned Provisional Measure No. 442 (converted into Law No. 11,882 of December 13, 2008), which is regulated by CMN Resolution No. 3,622 of October 9, 2008 (as amended by several CMN Resolutions), CMN Resolution No. 3,624 of October 16, 2008, CMN Resolution No. 3,633, of November 3, 2008, CMN Resolution No. 3,683, of January 29, 2009, CMN Resolution No. 3,691, of March 23, 2009, CMN Resolution No. 3,715, of April 16, 2009, Circular No. 3,409 of October 10, 2008 and Circular No. 3,418 of November 4, 2008 (as amended by Circular 3,444 of March 25, 2009 and Circular 3,452 of April 17, 2009), which permits the Central Bank to: (i) acquire credit portfolios from financial institutions through rediscount operations; and (ii) grant loans in foreign currencies in order to finance Brazilian export transactions. The term of such rediscount operations and loans in foreign currencies will be up to 360 days. Upon the expiration of such term, the financial institution must repurchase its assets. The repurchase price of rediscount operations will be equal to the original purchase price plus interest charged at a rate equal to the SELIC rate and 4% *per annum*. Interest payments of loans in foreign currencies will be equal to the LIBOR rate and a percentage fixed by the Central Bank that is dependent on market conditions.

The Central Bank will only acquire credit portfolios and debentures issued by non-financial institutions rated AA, A or B, in accordance with the rules of the Central Bank. With respect to the acquisition of credit portfolios and debentures, a financial institution must provide the Central Bank with guarantees that range from either 120% to 170% of the value of its credit portfolio, depending on such financial institution’s credit portfolio risk rate, or guarantees that range from 120% to 140% of the value of its debentures, depending on such financial institution’s risk rate. With respect to loans in foreign currencies, a financial institution must provide the Central Bank with guarantees that range from 100% to 140%.

Additionally, the Central Bank may, with respect to rediscount operations, require financial institutions to: (i) pay additional amounts in order to meet risks to which a financial institution may be exposed; (ii) adopt more restrictive operational limits; (iii) restrict their activities to certain types of transactions or operational practices; (iv) readjust their adequate liquidity levels; (v) suspend the distribution of any earnings above the minimum required by law; (vi) prohibit acts that may increase managers’ remuneration; and (vii) prohibit the development of new lines of business; and (viii) prohibit the sale of assets.

As a further attempt to provide liquidity to financial markets, the Central Bank issued Circular Nos. 3,426 and 3,427 on December 19, 2008, which: (i) amended Circulars Nos. 3,144/02 and 3,091/02; (ii) changed the level of required bank reserves and compulsory deposits; and (iii) revoked Circulars Nos. 3,157/02, 3,408/08, 3,419/08, 3,375/08, 3,405/08, 3,407/08, 3,410/08, 3,411/08, 3,412/08, 3,414/08, 3,417/08 and 3,421/08.

In view of the progressive recovery experienced by both global and Brazilian economies since the second half of 2009, the Central Bank reviewed and changed the level of required bank reserves and compulsory deposits, in order to reflect such scenarios by means of the enactment of Circular Nos. 3,485 and 3,486, both of February 24, 2010.

Some of the current types of reserves required under Brazilian law include:

Demand Deposits. Pursuant to Circular No. 3,274 of February 10, 2005, as amended by Circular No. 3,323 of May 30, 2006 and Circular No. 3,413 of October 14, 2008, banks and other financial institutions are generally required to deposit 42.0% of the daily average balance of their demand deposits, bank drafts, collection of receivables, collection of tax receipts, debt assumption transactions and proceeds from the realization of guarantees granted to financial institutions in excess of R\$44.0 million with the Central Bank on a non interest bearing basis. At the end of each day, the balance in such account shall be equivalent to at least 80% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the following week.

Savings Accounts. Currently, pursuant to Circular No. 3,128 dated June 24, 2002 and Circular No. 3,130 of June 27, 2002, the Central Bank has established that Brazilian financial institutions are generally required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, an amount in cash equivalent to 20.0% of the average aggregate balance of savings accounts during the prior week. In addition, a minimum of 65.0% of the total amount of deposits in saving accounts must be used to finance residential real estate or the housing construction sector, as determined by CMN Resolution No. 3,347 of February 8, 2006, as amended. Amounts that can be used to satisfy this requirement include, in addition to direct residential real estate financings, mortgage notes, charged-off residential real-estate loans, and certain other financings, all as specified in guidance issued by the Central Bank. Pursuant to Resolution No. 3,023 of October 11, 2002, the Central Bank established an additional reserve requirement of 10% on the savings account funds captured by the entities of the Brazilian Savings and Loan System (SBPE). CMN Resolution No. 3,634 of November 13, 2008, as amended by Circular No. 3,426 of December 19, 2008, allows financial institutions to use securities issued by the Brazilian federal government to satisfy this additional reserve requirement.

Time Deposits. Financial institutions' time deposits and certain other amounts in excess of R\$30.0 million have to be deposited in an account with the Central Bank, which is remunerated based on the daily average rate of the transactions with Brazilian government securities carried out in the SELIC system. Pursuant to Circular No. 3,127 of June 14, 2002, Circular No. 3,262 of November 19, 2004, Circular No. 3,427 of December 19, 2008 and Circular No. 3,468 of September 28, 2009, the Central Bank currently imposes a reserve requirement of 15% in relation to time deposits and certain other amounts which exceed R\$2.0 billion, 45% of which is remunerated based on the daily average rate of the transactions with Brazilian government securities carried out in the SELIC rate system and 55% of which is deposited in cash, with no remuneration. At the end of each day, the amount of such securities shall be equivalent to 100% of the reserve requirement.

According to recent rules enacted by the Central Bank, financial institutions may deduct from time deposits credits assigned to them by other financial institutions up to 70% of the total compulsory reserves. For this purpose, the assignor shall have a maximum reference capital equal to R\$7 billion. In addition, the credits assigned by each financial institution shall be limited to 20% of the total deducted amount.

Additional Reserve Requirement (Demand Deposits, Saving Accounts and Time Deposits): On August 14, 2002, the Central Bank, by means of Circular No. 3,144, as amended by Circular No. 3,157 of October 11, 2002, Circular No. 3,426 of December 19, 2008, and Circular No. 3,486, of February 24, 2010 (effective as from the calculations period commencing on March 8, 2010) established an additional reserve requirement on deposits captured by multiple-service banks, investment banks, commercial banks, development banks, credit, financing and investment companies, real estate companies and savings and loan associations.

Pursuant to such regulations, the aforesaid entities are required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, the cash equivalent to the sum of the following amounts in excess of R\$1.0 billion: (i) 8% 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) 8% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. At the end of each day, the balance in such account shall be equivalent to 100% of such additional reserve requirement.

Foreign Currency and Gold Exposure. Pursuant to CMN Resolution No 3,488 of August 29, 2007, the total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30.0% of its adjusted net worth.

In addition, in the past the Central Bank has imposed on other types of transactions certain compulsory deposit requirements that are no longer in effect, and could reimpose these requirements or impose similar restrictions in the future. For more information on Central Bank restrictions, see “Risk Factors — Risks Relating to Banco Bradesco and the Brazilian Banking Industry”.

Rural Lending. According to the Manual on Rural Lending, as published by the Central Bank, financial institutions are required to maintain a minimum daily average balance of rural lending of 25.0% of the daily balance of all accounts subject to compulsory reserve requirements. Financial institutions must provide the Central Bank with evidence of compliance with such requirement by the fifth business day of each month. A financial institution that does not meet this requirement will be subject to payment of fines calculated over the daily difference between the requirement and the portion actually used for rural lending and a pecuniary penalty or, at the financial institution’s discretion, to deposit the unused amount until the last business day of the subsequent month in a non-interest-bearing account maintained with the Central Bank.

Repurchase Agreements, Export Notes, Etc. The Central Bank has from time to time established a reserve requirement for certain types of financial transactions, such as repurchase agreements, export notes, derivative transactions and certain types of assignments. Central Bank Circular No. 2,820 dated May 27, 1998 currently sets this reserve requirement at zero.

Guarantees. The Central Bank has from time to time established a reserve requirement that a financial institution deposit in a non-interest-bearing account with the Central Bank in an amount equivalent to 60.0% of the total amount of guarantees given by such financial institution in relation to loans and financings entered into by non-financial legal entities and individuals. However, such percentage was reduced to zero by Central Bank Circular No. 2,704 of July 3, 1996.

Reinvestment of Deposits Linked to Interbank Rates. Pursuant to CMN Resolution No. 2,172 of June 30, 1995 (further revoked by CMN Resolution No. 3,454 of May 30, 2007), financial institutions were permitted to accept deposits with interest calculated by reference to an Average Interbank Interest Rate (*Taxa Básica Financeira*), subject to a reserve requirement and provided that such deposits are made for a minimum of 90 days.

The Brazilian Payment System

On April 22, 2002, as a result of a restructuring process, the Brazilian Payment System (“**SPB**”) became effective. The main legislation that discipline the operation of the SPB is Law No. 10,214 dated March 27, 2001, CMN Resolution No. 2,882 dated August 30, 2001 and Central Bank Circular No. 3,057 dated August 31, 2001.

The main goal of the amendments was to provide Brazil’s financial markets with security and efficiency, and to minimize the systemic risks, by incorporating practices recommended by the BIS – Bank of International Settlements.

The most important principles of the SPB are: (i) the existence of two main payment and settlement systems: real time gross settlements, using the reserves deposited with the Central Bank, and deferred settlements, through the clearing houses; (ii) the clearing houses, with some exceptions, will be liable for the payment orders they accept; and (iii) bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearing-houses have ordinary credits against any participant under bankruptcy laws.

The main innovations of the SPB were: (i) the creation of a mechanism for the real time transfer of reserves, the Reserve Transfer System (STR) in which settlements are irrevocable and unconditional, providing a strict control of bank balances; (ii) the adaptation and creation of compensation and settlement systems in clearing houses equipped

with mechanisms and safeguards capable of guaranteeing the settlement process; and (iii) the constitution of a solid legal basis to support the functioning of clearing houses.

Asset Composition Requirements

Brazilian financial institutions may not allocate more than 25.0% of their adjusted shareholders' equity to loans (including guarantees) with the same customer (including its parent, affiliates and subsidiaries) or in securities of any one issuer, and may not act as underwriter (excluding best efforts underwriting) of securities issued by any one issuer representing more than 25.0% of their adjusted shareholders' equity.

Pursuant to CMN Resolution No. 2,283 of June 5, 1996, as amended by CMN Resolution No. 2,669 of November 25, 1999, permanent assets (defined as property and equipment other than commercial leasing operations, unconsolidated investments and deferred charges) of Brazilian financial institutions may not exceed 50.0% of their adjusted shareholders' equity.

Repurchase Transactions

Repurchase transactions 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 adjusted shareholders' equity. Within that limit, repurchase operations involving private securities may not exceed five times the amount of adjusted shareholders' equity. Limits on repurchase operations involving securities backed by Brazilian governmental authorities vary in accordance with the type of security involved in the transaction and the perceived risk of the issuer as established by the Central Bank.

Onlending of Funds Borrowed Abroad

Financial institutions and leasing companies are permitted to borrow foreign currency-denominated funds in the international markets (either through direct loans or through the issuance of debt securities) in order to onlend such funds in Brazil. These onlendings take the form of loans denominated in Brazilian currency but indexed to the U.S. dollar. The terms of the onlending must mirror the terms of the original transaction. The interest rate charged on the underlying foreign loan must also conform to international market practices. In addition to the original cost of the transaction the financial institution may only charge an onlending commission.

New CMN Regulation for Credit Assignment

Resolution No. 3,533 of January 31, 2008 ("**Resolution No. 3,533**") provides changes to the manner in which assigned credit rights are to be treated in our books (pursuant to CMN Resolution No. 3,809 of October 28, 2009, such changes will come into effect as from January 1, 2011) and cannot be adopted by Brazilian banks prior to such date. In accordance with Resolution No. 3,533, if the assignor substantially retains the risks and benefits of the assigned credits, such credits may not be recorded as off-balance sheet loans. This provision shall also be applicable to (i) assignments with repurchase commitments; (ii) assignments in which the assignor undertakes the obligation to compensate the assignee for losses; and (iii) assignments made jointly with the subscription and/or acquisition of subordinate shares of FIDCs.

Foreign Currency Position

Transactions in Brazil involving the sale and purchase of foreign currency may only be conducted by institutions authorized by the Central Bank to operate in the foreign exchange market. For purposes of the exchange control regulations, banks (including commercial banks, investment banks and multiple-service banks, but excluding development banks) are allowed to carry out all types of transactions in the foreign exchange market; other agents, including development banks, brokers, dealers, tourism agencies, and hotels may in turn carry out just a limited number of transactions.

The Central Bank may impose limits on foreign exchange short and long positions of institutions authorized to operate in the foreign exchange market. These limits may vary according to the shareholders' equity of the relevant

institution, as adjusted in accordance with regulations of the Central Bank. Penalties for non-compliance with any such foreign currency position limits, range from the compulsory sale of foreign currency holdings to the revocation of authorizations to operate in the foreign exchange market. According to Circular No. 3,307 of December 29, 2005, there are currently no such limits on the foreign exchange short or long positions of Brazilian banks and financial savings account institutions authorized to operate in the foreign exchange market.

Interest Rates

Article 192 of the Brazilian constitution, enacted in 1988, established a 12.0% per year ceiling on loan interest rates, including bank loan interest rates. However, since the enactment of the constitution, such rate was not enforced, as the regulation of such provision was pending. The understanding that the ceiling is not yet in force has 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, the Constitutional Amendment No. 40 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 in respect of each sector of the system rather than by a single law relating to the system as a whole.

With the enactment of the New Civil Code (Law No. 10,406 of January 10, 2002), unless the parties to a loan have agreed to use a different rate, in principle the ceiling of the interest rate has been pegged to the base rate charged by the National Treasury Office. Currently, this base rate is the SELIC, which is currently charged at 8.75% *per annum*. However, there is presently some uncertainty as to whether the SELIC or the 12% *per annum* interest rate established in the Brazilian tax code should apply.

Letras Financeiras - Financial Bills ("LFs")

Provisional Measure No. 472/09, enacted by the Brazilian Government on December 15, 2009 ("**MP 472/09**"), 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 ("**Resolution No. 3,836**"). Pursuant to Resolution No. 3,836, the LFs must have a minimum nominal amount of R\$300,000, and a minimum tenor of 24 months. The LFs may be publicly offered in the Brazilian capital markets, in accordance with applicable CVM regulations.

Treatment of Overdue Debts

Financial institutions are required to classify their loans into nine categories, ranging from AA to H, on the basis of their risk. These credit classifications are determined in accordance with Central Bank criteria relating to:

- the conditions of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, delay in payments, contingencies and credit limits; and
- the conditions of the transaction, such as its nature and purpose, the sufficiency of the collateral, the level of liquidity and the total amount of the credit.

In the case of corporate borrowers, the nine categories are as follows:

Rating	Banco Bradesco's Classification	Concept
AA	Excellent	First-tier large company or group, with a long track record, market leadership and excellent economic and financial concept and positioning.
A	Very Good	Large company or group with sound economic and financial position that is active in markets with good prospects and/or potential for expansion.
B	Good	Company or group, regardless of size, with good economic and financial positioning.
C	Acceptable	Company or group with a satisfactory economic and financial situation but with performance subject to economic variations.
D	Fair	Company or group with economic and financial positioning in decline or unsatisfactory accounting information, under risk management.
Loans the collection of which is doubtful are classified as follows, based on the percentage of expected loss:		
E	Deficient	
F	Bad	
G	Critical	
H	Uncollectible	

A loan may be upgraded if it has a credit support or downgraded if in default.

In the case of transactions with individuals, we have a similar nine category ranking system. We grade the credit based on data including the individual's income, net worth and credit history (as well as other personal data).

Financial institutions must make monthly loan loss provisions to match contingencies. In general, banks review the loan classifications annually. However, a review is made every six months in the case of transactions that are extended to a single customer or economic group whose aggregate amount exceeds 5.0% of the financial institution's adjusted net worth. If a loan becomes past due it is reviewed monthly.

For past due loans, the regulations establish maximum risk classifications, as follows:

Number of Days Past Due⁽¹⁾	Maximum Classification
15 to 30 days	B
31 to 60 days	C
61 to 90 days	D
91 to 120 days	E
121 to 150 days	F
151 to 180 days	G
More than 180 days	H

(1) The period should be doubled in the case of loans with maturity in excess of 36 months.

Financial institutions are required to determine, on a monthly basis, whether any loans must be reclassified as a result of these maximum classifications, and if so, they must adjust their provisions accordingly.

The regulations specify a minimum provision for each category of loan, which is measured as a percentage of the total amount of the credit operation, as follows:

Classification of Loan	Minimum Provision
AA	—
A	0.5%
B	1.0
C	3.0
D	10.0
E	30.0
F	50.0
G	70.0
H ⁽¹⁾	100.0%

(1) Banks must write off any loan 6 months after it is ranked H.

Loans of up to R\$50,000 may be classified either by the financial institution's own evaluation method or according to the delay in payments criteria described above.

Financial institutions must make their lending and loan classification policies available to the Central Bank and to their independent auditors. They also have to submit to the Central Bank information relating to their credit portfolio, along with their financial statements. Such information must include:

- a breakdown of lending activities and the nature of the borrowers;
- maturities of their loans;
- amounts of rolled-over, written-off and recovered loans;
- credit portfolio diversification in accordance with the loan classification; and
- overdue loans.

Brazilian Clearing System

The Brazilian clearing system was recently regulated and restructured under legislation enacted in 2000 and 2001. The new regulation is intended to increase the responsiveness of the system through the adoption of multilateral settlement and the safety and soundness of the system by reducing the risk of systemic default and the credit risk of financial institutions.

The systems comprising the Brazilian clearing systems are responsible for creating safety mechanisms and rules for controlling risks and contingencies, for loss sharing among market participants and for direct execution of participants' positions, performance of their agreements and foreclosure of collateral held under custody. In addition, clearing houses and settlement services providers that are considered important to the system are obligated to set aside a portion of their assets as an additional guarantee for the settlement of transactions.

Under the new rules, responsibility for the settlement of a transaction is assigned to the clearing houses and settlement service providers responsible for it. Once a financial transaction has been submitted for clearing and settlement, it generally becomes the obligation of the relevant clearing house and/or settlement services provider to clear and settle it, and it is no longer subject to the risk of bankruptcy or insolvency on the part of the market participant that submitted it for clearing and settlement.

Financial institutions and other institutions chartered by the Central Bank are also required under the new rules to create mechanisms to identify and avoid liquidity risks, in accordance with certain procedures established by the Central Bank. Under these procedures, institutions are required to:

- maintain and document criteria for measuring liquidity risks and mechanisms for managing them;
- analyze economic and financial data to evaluate the impact of different market scenarios on the institution's liquidity and cash flow;
- prepare reports to enable the institution to monitor liquidity risks;
- identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwinds;
- adopt system controls and testing them periodically;
- promptly provide to the institution's management available information and analysis regarding any liquidity risk identified, including any conclusions or remedies adopted; and
- develop contingency plans for handling liquidity crisis situations.

After a period of tests and gradual implementation, the new Brazilian clearing system entered into operations in April 2002. The Central Bank and CVM have the power to regulate and supervise the Brazilian payments and clearing system.

Intervention and Administrative Liquidation of Financial Institutions

Financial institutions are subject to the proceedings established by Law No. 6,024 of March 13, 1974, or Law No. 6,024/74, (which establishes the applicable provisions in the event of intervention or extra-judicial liquidation by the Central Bank) as well as to bankruptcy proceedings.

Intervention and extra-judicial liquidation occur when it has been verified that the financial institution is in a bad financial condition or upon the occurrence of events that may impact the creditors' situation. Such measures are imposed by the Central Bank in order to avoid the bankruptcy of the entity.

Intervention

The Central Bank will intervene in the operations and the management of any financial institution not controlled by the federal government if the institution:

- suffers losses due to bad management which puts creditors at risk;
- has recurrent violations of banking regulations; or

- is bankrupt.

Intervention may also be ordered upon the request of a financial institution's management.

As from the date on which it is ordered, the intervention will automatically: (a) suspend the enforceability of the payable obligations; (b) prevent early termination or maturity of any previously contracted obligations; and (c) freeze deposits existing on the date on which the intervention is decreed. The intervention will cease (a) if interested parties undertake to continue the economic activities of the financial institution, by presenting the necessary guarantees, as determined by the Central Bank; (b) when the situation of the entity is regularized as determined by the Central Bank; or (c) when extra-judicial liquidation or bankruptcy of the entity is ordered.

Any such intervention period should not exceed six months, which, by decision of the Central Bank, may be extended only once for up to six additional months. The intervention proceeding will be terminated if the Central Bank establishes that the irregularities that have triggered an intervention have been eliminated. Otherwise, the Central Bank may extra-judicially liquidate the financial institution or authorize the intervener to file for voluntary bankruptcy currently governed by Law No. 11.101 (as of February 9, 2005, the new Brazilian Bankruptcy and Restructuring Law), among other situations, if the assets of the intervened institution are insufficient to satisfy at least 50% of the amount of its outstanding unsecured debts.

Administrative Liquidation

Administrative liquidation is a proceeding decreed by the Central Bank and conducted by a liquidator appointed by the Central Bank. Such extraordinary measure aims at terminating the activities of the affected financial institution, liquidating its assets and paying its liabilities, as in a judicially decreed bankruptcy.

The Central Bank will liquidate a financial institution if:

- the institution's economic or financial situation is at risk, particularly when the institution ceases to meet its obligations as they fall due, or upon the occurrence of an event that could indicate a state of bankruptcy;
- management makes a serious violation of banking laws, regulations or rulings;
- the institution suffers a loss which subjects its unprivileged and unsecured creditors to severe risk; or
- if, upon revocation of the authorization to operate, the institution does not initiate ordinary liquidation proceedings within 90 days, or if initiated, the Central Bank determines that the pace of the liquidation may harm the institution's creditors.

As a consequence of administrative liquidation:

- potential or ongoing lawsuits asserting claims over the assets of the institution are suspended;
- the institution's obligations are accelerated;
- the institution may not comply with any liquidated damages clause contained in unilateral contracts;
- interest does not accrue against the institution until its liabilities are paid in full; and
- the statute of limitations with respect to the institution's obligations is tolled.

The decree of extra-judicial liquidation will (a) suspend the actions or foreclose on rights and interests relating to the estate of the entity being liquidated, while no other actions or executions may be brought during the liquidation; (b) accelerate the obligations of the entity; and (c) interrupt the statute of limitations with regard to the obligations assumed by the institution. The extra-judicial liquidation will cease (a) if interested parties undertake to continue the company's economic activities, by presenting the necessary guarantees, as per the discretion of the Central Bank; (b) with the approval of the final accounts of the liquidator and entry in the appropriate public registry; and (c) with the decree of the entity's bankruptcy.

Liquidation procedures can be filed on reasonable grounds by the officers of the respective financial institution or by the receiver indicated by the Central Bank in the receivership procedure.

Extrajudicial liquidation procedures may be terminated:

- by discretionary decision of the Central Bank if the parties involved undertake the administration of the financial institution after having provided the necessary guarantees; or
- when the final accounts of the receiver are delivered and approved and subsequently registered in the relevant public records; or
- when converted into ordinary liquidation; or
- when a financial institution is declared bankrupt.

Temporary Special Administration Regime

The temporary special administration regime (“**RAET**”) is a less severe form of Central Bank intervention in private and non-federal financial institutions which allows institutions to continue to operate normally. RAET may be ordered in the case of an institution which:

- enters into recurrent operations which are against economic or financial policies set forth in federal law;
- faces a shortage of assets;
- fails to comply with the compulsory deposit rules;
- has hidden liabilities;
- has practiced receivership pursuant to current legislation;
- has reckless or fraudulent management; or
- has operations or circumstances which call for an intervention.

The main object of a RAET is to assist the recovery of the financial conditions of the institution under special administration and thereby avoid intervention, liquidation and/or bankruptcy. Therefore, a RAET does not affect the day-to-day business, operations, liabilities or rights of the financial institution, which continues to operate in the due course.

There is no minimum term for a RAET, which ceases upon the occurrence of any of the following events: (a) acquisition by the Brazilian federal government of control of the financial institution, (b) corporate restructuring, merger, spin-off, amalgamation or transfer of the controlling interest of the financial institution, (c) decision by the Central Bank or (d) declaration of extra-judicial liquidation of the financial institution.

On October 19, 2009, the Central Bank submitted a proposal for a new law to overhaul the existing legal framework applicable to the actions that may be taken by the Central Bank to protect the stability of the financial system, prevent and regulate bank failure. The proposal was submitted for comments from the market. We cannot anticipate if and when such new legal framework may become effective.

Repayment of Creditors in a Liquidation

In the liquidation of a financial institution, employees' wage and indemnities (up to an amount equivalent to 150 times the minimum wage per employee), creditors holding claims secured by collateral and tax claims have the highest priority of any claims against the bankrupt estate. In November 1995, the Central Bank created the FGC to guarantee the payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy, or other state of insolvency. The member entities of the FGC are financial institutions, which take demand, time and savings deposits, as well as savings and loan associations. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with customer deposits.

The FGC is a deposit insurance system that guarantees a maximum amount of R\$60,000 of deposit and certain credit instruments held by a customer against a financial institution (or against member financial institutions of the same financial group). The liability of the participating institutions is limited to the amount of their contributions to the FGC, with the exception that in limited circumstances if FGC payments are insufficient to cover insured losses, the participating institutions may be asked for extraordinary contributions and advances. 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.

In addition, two laws affect the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. First, Law No. 9,069 dated June 29, 1995, confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. Such deposits may not be attached in actions by a bank's general creditors for the repayment of debts. Second, Law No. 9,450 dated March 3, 1997 requires that the assets of any insolvent bank funded by loans made by foreign banks under trade finance lines be used to repay amounts owing under such lines in preference to those amounts owing to the general creditors of such insolvent bank.

Cancellation of Banking License

The Banking Reform Law, together with specific regulations enacted by the National Monetary Council's Resolution 1,065 of December 5, 1985, provides that some penalties can be imposed upon financial institutions in certain situations. Among them, a financial institution may be subject to the cancellation of its license to operate and/or to perform exchange transactions. Such cancellations are applicable under certain circumstances established by the Central Bank as, for instance, in case of repeated: (a) violation of the Central Bank regulations by the management of the financial institution or (b) negligence of the financial institution in pursuing adequate banking practices concerning its exchange activities.

In addition, the Central Bank may, according to CMN's Resolution 3,040 of November 28, 2002, cancel the authorization to operate granted to the Bank if one or more of the following situations are verified at any time: (a) operational inactivity, without acceptable justification, (b) the institution is not located at the address provided to the Central Bank, (c) failure to send to the Central Bank for over four months, without acceptable justification, the financial statements required by the regulations in effect, and/or (d) failure to observe the timeframe for commencement of activities. The cancellation of a banking license may only occur after the appropriate administrative proceeding is carried out by the Central Bank.

Internal Compliance Procedures

All financial institutions must have in place internal policies and procedures to control:

- their activities;

- their financial, operational and management information systems; and
- their compliance with all regulations applicable to them.

The board of executive officers of the financial institution is responsible for implementing an effective structure of internal controls by defining responsibilities and control procedures and establishing corresponding goals and procedures at all levels of the institution. The board of executive officers is also responsible for verifying compliance with all internal procedures.

Restrictions on Foreign Banks and Foreign Investment

The Brazilian constitution prohibits foreign financial institutions from establishing new branches in Brazil, except when duly authorized by Presidential Decree. A foreign bank 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 other Brazilian financial institution.

The Brazilian constitution permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorization from the Brazilian government subject to consideration of the public interest. Foreign investors without specific authorization can also acquire publicly traded non-voting shares of Brazilian financial institutions or depositary receipts offered abroad representing non-voting shares.

Anti-Money Laundering Regulations and Banking Secrecy

Law No. 9613, of March 3, 1998 (the “**Money Laundering Law**”), plays a major role for those engaged in banking and financial activities in Brazil. The Money Laundering Law sets forth the definition and the penalties to be incurred by persons involved in activities that comprise the “laundering” or concealing of property, rights and assets, as well as a prohibition on using the financial system for these illicit acts.

The Money Laundering Law also created the Financial Activity Control Council (*Conselho de Controle de Atividades Financeiras*, “**COAF**”), which is the entity responsible for applying administrative fines, and receiving, examining and identifying the suspicion of the illegal activities provided for by the Money Laundering Law.

Financial institutions are required, among other things, to:

- identify and maintain data on all clients;
- keep a file on all transactions performed by such clients, which exceed the limits set forth by the competent authority, for a 5-year period;
- comply with all requests of COAF; and
- inform the competent authorities (without the clients’ knowledge) of any transaction which involves an amount which exceeds the limit set forth by the competent authorities.

On July 24, 2009, the Central Bank issued Circular 3,461 (“**Circular 3,461**”), which consolidated the procedures to be complied with by financial institutions in order to prevent the crimes set forth in the Money Laundering Law (“**Money Laundering Crimes**”). Circular 3,461 sets forth requirements to be complied with by financial institutions related to (i) internal policies and controls systems, (ii) records of customer information, (iii) records of financial services and transactions, (iv) records of checks and transfer of funds, (v) records of prepaid cards, (vi) records of handling of resources in excess of R\$100,000, and (vii) reports of material information to COAF. Furthermore, the CMN enacted, on February 11, 2010, Circular Letter No. 3,430, clarifying concepts related to customer and politically exposed persons, as well as procedures to be taken in connection with the identification of such customers or persons.

Internal Policies and Controls Systems

Financial institutions shall develop and implement internal policies and control systems that: (a) identify the responsibilities of the members of each of the hierarchical levels of the financial institutions; (b) contemplate gathering and registration of information systems that shall enable the timely identification of transactions that may indicate the occurrence of a Money Laundering Crime; (c) define criteria and proceedings for the selection and training the employees of financial institutions, as well for monitoring their economic and financial conditions; and (d) reflect the necessity of previous analysis of new products aiming at preventing Money Laundering Crimes. In addition, such internal policies and control systems shall encompass measures to enable financial institutions to (a) confirm the customer identifications; (b) identify ultimate beneficiaries of transactions; and (c) identify politically exposed persons.

Pursuant to Article 4 of Circular 3,461, a politically exposed person is an individual who is engaged or has been engaged, in the last five years in 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 that person.

Record of Customer Information

The identification of customers (individuals and legal entities) must be recorded in a regularly updated customer information file, at least on an annual basis, pursuant to Circular 3,461. All files may be stored either physically or electronically. Circular 3,461 provides for different levels of record requirements by financial institutions depending on the type of relationship maintained with the customer.

Record of Financial Services and Transactions

Financial institutions must record all financial services rendered to or financial transactions entered with their customers. Information on the applicable financial services and transactions 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 respective customer; (ii) origin of resources; and (iii) ultimate beneficiaries of the resources. The record system of financial transactions must enable the identification of (i) transactions carried out by a person, group of persons or corporate group, severally 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 manner to avoid the identification, control and record mechanisms of 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 through 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 credit documents 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 currency, as a result of payment in cash, 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 of 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 information about deposits in cash, withdrawals in cash, withdrawals in cash by means of prepaid cards and request of withdrawals 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 withdrawals 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 withdrawals provisioning that may show attempts to conceal or disguise of the true nature, origin, location, disposition, movement, or ownership of assets, rights and valuables; and (iii) issuance of bank check, wired transfers of amounts or any other instrument of transfer of funds that comprise 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 any 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, withdrawals in cash, withdrawals in cash by means of prepaid cards and request of withdrawals provisioning in amount of, or in excess of, R\$100,000.

Additionally, the financial institutions must report the occurrence of the following events or proposals leading to such events to COAF:

- transactions or services (i) in amounts of, or in excess of, R\$10,000; and (ii) that may indicate the occurrence 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 manner to avoid the identification, control and record mechanisms of financial institutions;
- transactions and services involving 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 (ranging from 1% to 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 of three to ten years, and fine) applies to a person who uses, in the economic or financial activity, assets, right or valuables, knowing that they proceed from any of the Money Laundering Crimes listed therein.

Brazilian financial institutions are also subject to strict bank confidentiality regulations. The only circumstances in which information about clients, services or operations of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) the disclosure of information with the express consent of the interested parties; (ii) the exchange of information between financial institutions for record purposes; (iii) the supply

to credit reference agencies of information based on data from the records of subscribers of checks drawn on accounts without sufficient funds and defaulting debtors; (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; and (v) 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 may have been previously executed.

Financial institutions must maintain the secrecy of their banking operations and services provided to their customers. Certain exceptions apply to this obligation, however, such as the sharing of information on credit history, criminal activity and violation of bank regulations or disclosure of information authorized by interested parties, as discussed above. Bank secrecy may also be breached when necessary for the investigation of any illegal act.

Government and auditors from the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances.

Change of Independent Auditors

All financial institutions must:

- be audited by independent auditors accredited as such by the CVM, and certified in specialized banking analysis by the IBRACON and as long as the minimum requirements attesting to the independence of the auditors are fulfilled; and
- replace their responsible partner and senior team member within their independent accounting firm responsible for auditing their financial statements for Brazilian regulatory purposes at least every five consecutive fiscal years. A former partner and senior team member within their independent accounting firm can be rehired three complete fiscal years after their replacement.

Each independent auditor must immediately communicate to the Central Bank any event that may materially adversely affect the relevant financial institution's status.

Law 10,303 of October 31, 2001, which amended the Brazilian Corporate Law, gave the members of our Board of Directors that are appointed by our preferred shareholders or our minority common shareholders veto rights over the appointment or removal of our independent accounting firm. For more information regarding appointment of directors, see "Management — Board Practices".

In addition to audit reports, independent auditors should also report on:

- the evaluation of internal controls and procedures for managing the risks exercised by the financial institution including in relation to its electronic data processing system, presenting any potential failings verified; and
- a description of the financial institution's non-compliance with any applicable regulation which are material to its financial statements or activities.

Independent auditors and the fiscal council should notify the Central Bank of the existence or evidence of error or fraud within a maximum period of three business days from the respective identification of the same, represented by:

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

- errors that result in significant errors in the accounting records of the entity.

Audit Committee

On May 27, 2004, the CMN issued Resolution No. 3,198, as amended, which regulates the rendering of independent auditors' services to financial institutions and other institutions authorized to operate in Brazil by the Central Bank, as well as to clearing houses and clearing and custody service renderers. Resolution No. 3,198 requires financial institutions holding a reference net worth equal to or greater than R\$1,000,000,000, among other entities, to create a corporate body designated as an audit committee, which must be composed of at least three individual members, with a maximum term of office of five years each. The institution's fiscal council may perform the duties of the audit committee, provided it operates on a permanent basis, subject to the provisions of Resolution No. 3,198.

Our audit committee is also subject to the requirements applicable to audit committees of foreign companies that have securities traded on the New York Stock Exchange, including certain independence requirements imposed by U.S. securities laws and regulations.

In general terms, the audit committee's duties are to take different measures and to perform different functions, in order to assure compliance of the financial institution with the applicable accounting regulations.

Auditing Requirements

We are obligated under Brazilian law to prepare our financial statements in accordance with the Brazilian Corporate Law. As a financial institution, we are required to have our financial statements audited every six months. Quarterly financial information filed with the CVM is subject to review by our independent auditors.

In January 2003, the CVM approved regulations requiring audited entities to disclose information relating to an independent accounting firm's non-auditing services whenever such services represent more than 5% of the total fees the entity paid to the external accounting firm.

Asset Management Regulation

Asset management is regulated by the CMN, Central Bank and CVM. The asset management industry is also self-regulated by AMBIMA, which enacts additional rules and policies, especially with respect to marketing and advertising.

Investment funds are subject to the regulation and supervision of the CMN and the CVM and in certain specific matters, the Central Bank. Investment funds may be managed by multiple-service banks, commercial banks, savings banks, investment banks, credit, finance and investment companies, brokerage and dealer companies within certain operational limits. CMN regulations provide that institutions must segregate their asset management activities from their other activities.

Investment funds may invest in any type of financial instrument available in the financial and capital markets, including fixed income instruments, stocks, debentures, derivative products etc., *provided* that in addition to the denomination of the fund, a reference to the relevant type of fund is included, in accordance with the classification table of CVM Instruction No. 409 of August 18, 2004, as amended ("**CVM Instruction No. 409**"). Furthermore, depending on the investment policy adopted by the investment fund, its shares may only be subscribed by qualified investors pursuant to CVM Instruction No. 409. Recent amendments to CVM Instruction No. 409 have also authorized certain investment funds to invest in funds outside of Brazil.

Except where specific rules otherwise allow, investment funds may not:

- invest more than 5.0% of their net worth in securities of an issuer that is a natural person or a legal entity, which is not a publicly held company or a financial institution not authorized by the Central Bank;

- invest more than 10.0% of their net worth in securities of an issuer that is a publicly-held company;
- invest more than 10.0% of their net worth in securities of an issuer that is an investment fund; and
- invest more than 20.0% of their net worth in securities of an issuer that is a financial institution authorized by the Central Bank.

The Central Bank issued Circular No. 3,086 of February 15, 2002, as amended, establishing criteria for the registration and accounting evaluation of titles, securities and financial instruments, derivatives that form financial investment funds, application funds in quotas of investment funds, individual programmed retirement funds and offshore investment funds. By this Circular, the Central Bank ordered fund managers to mark their fixed-income securities to market; hence, the fund's portfolio assets must be accounted for at their fair market value, instead of their expected yield to maturity. As a result of this mark-to-market mechanism, the fund quotas reflect the fund's net asset value.

Broker-Dealer Regulation

Broker and dealer firms are part of the national financial system and are subject to CMN, Central Bank and CVM regulation and supervision. Brokerage firms must be chartered by the Central Bank, and are the only institutions in Brazil authorized to trade on Brazil's stock, mercantile and futures exchanges. Both brokers and dealers may act as underwriters in the public placement of securities and engage in the brokerage of foreign currency in any exchange market.

Broker and dealer firms may not:

- with limited exceptions, execute operations that may be qualified as the granting of loans to their customers, including the assignment of rights;
- collect commissions from their constituents related to transactions of securities during the primary distribution;
- acquire real estate properties which are not for their own utilization; or
- obtain loans from financial institutions, except for (a) loans for the acquisition of goods for use in connection with the firm's corporate purpose or (b) loans the amount of which does not exceed two times the firm's net worth.

Regulation of Internet and Electronic Commerce

The Brazilian Congress has not enacted any specific legislation regulating electronic commerce. Accordingly, this matter remains subject to existing laws and regulation on ordinary commerce and business transactions.

There are currently several bills dealing with internet and electronic commerce regulation in the Brazilian congress. The proposed legislation, if enacted, would recognize the legal effect, validity and enforceability of information in the form of electronic messages, allowing parties to enter into an agreement, make an offer or accept one through electronic messages.

Regulation of Operations in Other Jurisdictions

We have branches and subsidiaries in several other jurisdictions, such as New York, Miami, Buenos Aires, Tokyo, the Cayman Islands, the Bahamas and Luxembourg. The Central Bank exercises global consolidated supervision over Brazilian financial institutions' branches, subsidiaries and corporate holdings abroad and we need the prior approval of the Central Bank to establish any new branch, subsidiary or representative office abroad. In most cases, we had to obtain governmental approvals from local central banks and monetary authorities in such jurisdictions before commencing business. In all cases we are subject to supervision by local authorities.

Taxation

Tax on Financial Transactions

The IOF (*Imposto Sobre Operações Financeiras*) is a tax on foreign exchange, securities/bonds, credit and insurance transactions. The Minister of Finance establishes the rates of the IOF tax, subject to limits set forth by law.

Pursuant to Decree No. 6,306 of December 14, 2007, as amended, foreign exchange transactions are subject to the IOF. Under the IOF regulations currently in force, the Minister of Finance is empowered to establish the applicable IOF rate. Such IOF rate can be increased at any time up to a rate of 25%. The abovementioned Decree sets forth that the current general IOF rate is 0.38%, although there are some exceptions, such as:

- the inflow of proceeds into Brazil derived from or destined to loans with minimum average terms of less than 90 days, in which case the IOF rate of 5.38% is applicable;
- foreign exchange transactions destined to comply with obligations of credit card administrators, commercial or multiple banks acting as credit card issuers, in connection with the acquisition of goods and services abroad performed by users, in which case the IOF rate of 2.38% is applicable;
- exchange transactions related to the inflow of proceeds arising from export of assets and services, in which case the IOF rate of 0% is applicable;
- exchange transactions from abroad, carried out by a foreign investor to invest in the financial or capital markets pursuant to the rules of the CMN, in which case the IOF rate of 2% is applicable and exchange transactions to abroad relating to investments in the financial or capital markets pursuant to the rules of the CMN, in which case the IOF rate of 0% is applicable; and
- exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, related to proceeds raised as from October 23, 2008, in which case the IOF rate of 0% is applicable.

IOF is levied, among other, on the payment of premium in connection with insurance transactions as follows: (i) at a 0% rate for reinsurance transactions, transactions relating to export credits or international transport of goods, (ii) at a 0.38% rate for life insurance transactions; (iii) at a rate of 2.38% for private health insurance; and (iv) at a rate of 7.38% for other types of insurance.

The IOF tax may also be levied on transactions involving bonds or securities, including transactions carried out on Brazilian stock, futures or commodities exchanges. On November 19, 2009, the Brazilian government increased the IOF/Bonds and Securities Tax from zero to 1.5%, which is levied on the deposit of shares which are issued by a Brazilian company and admitted to trade in the Brazilian stock exchange with the specific purpose of enabling the issuance of depositary receipts traded outside Brazil. Additionally, the rate for the following types of transactions is currently 0%:

- transactions carried out by financial institution and other institutions chartered by the Central Bank as principals;
- transactions carried out by mutual funds or investment pools themselves;
- transactions carried out in the equity markets, including those performed in stock, futures and commodities exchanges and similar entities; and
- redemptions of shares in equity funds.

Income Tax and Withholding Income Tax

Our income tax expense is made up of two components, a federal income tax and a 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 currently assessed at a combined rate of 25.0% of adjusted net income. The social contribution tax is currently assessed at a rate of 15% of adjusted net income, pursuant to Law No 11,727 of June 23, 2008.

Companies are taxed based on their worldwide income rather than on income produced solely in Brazil. As a result, profits, capital gains and other income obtained abroad by Brazilian entities are 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 are computed in the calculation of an 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. Profits (including retained profits from previous years) realized by a Brazilian entity from controlled or affiliated companies are taxed as of the date of the Brazilian entity’s year-end balance sheet, 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 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.

These distributions may be paid in cash. The interest is calculated in accordance with daily *pro rata* variation of the TJLP, which measures the Brazilian government’s long-term interest rate, as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50% of the net income (before taxes and already considering the deduction of the own interest amount attributable to shareholders) related to the period in respect of which the payment is made; or
- 50% of the sum retained profits and profits reserves as of the date of the beginning of the period in respect of which the payment is made.

Any payment of interest to shareholders is subject to withholding income tax at the rate of 15% or 25% in the case of a shareholder who is domiciled in a “tax haven” jurisdiction. These payments may be qualified, at their net value, as part of any mandatory dividend. For more information on the taxation of interest on capital, see “Taxation — Brazilian Tax Considerations” in the Base Prospectus.

Losses carried forward are available for offset during any year up to 30% of annual taxable income. No time limit is currently imposed on the application of net operating losses to offset future taxable income.

Interest, fees, commissions (including any original issue discounts and any redemption premiums) and any other income payable by a Brazilian obligor to an individual, entity, trust or organization domiciled outside Brazil with respect to debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Notes, is subject to withholding income tax. The rate of withholding income tax is generally 15%, unless: (i) the Noteholder is resident or domiciled in a tax haven jurisdiction (that is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%, or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents), in which case the applicable rate is 25% (the withholding income tax rate remains 15% in the event of interest income payable by a Brazilian obligor to an individual, company, trust or organization domiciled outside Brazil in respect of debt obligations resulting from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, including commercial paper, as provided for in Section 10 of

Normative Instruction no. 252, dated December 3, 2002 issued by the Brazilian Revenue Service); or (ii) a lower rate is provided for in an applicable tax treaty between Brazil and the other country where the beneficiary is domiciled.

According to Normative Ruling No. 252/02, in the event that the beneficiary of such payments (of international debt securities registered with the Central Bank) is domiciled in a tax haven jurisdiction (such as a country that imposes an income tax rate of less than 20% or that does not disclose details of shareholdings in local legal entities), such payments of interest, fees, commissions (including any original issue discounts and any redemption premiums) and any other income are also subject to withholding with respect to Brazilian income tax at the general rate of 15%. However, pursuant to article 8 of Law No. 9,779 of January 19, 1999, if the relevant average term of the Notes is of less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25%, pursuant to article 691, IX of Decree No. 3,000 of March 26, 1999 and article 1, IX of Law No. 9,481 of August 13, 1997. There is a risk, however, that the tax authorities may modify current laws or apply the rate of 25% to beneficiaries domiciled in tax haven jurisdictions. A tax haven jurisdiction is deemed to be a jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%, or where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents.

On June 24, 2008, Law 11,727 was enacted, introducing the concept of “privileged tax regime”. Under this new law, a “privileged tax regime” is considered to apply to a jurisdiction that meets any of the following requirements: (1) it does not tax income or taxes income at a maximum rate lower than 20%; (2) it grants tax advantages to a non-resident entity or individual (a) without requiring substantial economic activity in the jurisdiction of such non-resident entity or individual or (b) to the extent such non-resident entity or individual does not conduct substantial economic activity in the jurisdiction of such non-resident entity or individual; (3) it does not tax income generated abroad, or imposes tax on income generated abroad at a maximum rate lower than 20%, or (4) it restricts the ownership disclosure of assets and ownership rights or restricts disclosure about the execution of economic transactions.

Although the interpretation of the current Brazilian tax legislation could lead to the conclusion that the above mentioned concept of “privileged tax regime” should apply only for the purposes of Brazilian transfer pricing rules, it is unclear whether such concept would also apply to the acquisition of the Notes by non-residents for purposes of this law. There is no judicial guidance as to the application of Law No. 11,727 of June 24, 2008 and, accordingly, we are unable to predict whether the Brazilian Internal Revenue Service or the Brazilian courts may decide that the “privileged tax regime” concept shall be applicable to deem a non-resident Noteholder as a tax haven resident when carrying out investments in the Notes. In the event that the “privileged tax regime” concept is interpreted to be applicable to transactions such as the acquisition of the Notes by non-residents, this tax law would accordingly result in the imposition of taxation to a non-resident Noteholder that meets the privileged tax regime requirements in the same way applicable to a tax haven resident.

The Brazilian Government has introduced thin capitalization provisions, effective as of January 1, 2010, through the enactment of MP 472/09. As a general rule, thin capitalization provisions are indented to limit the tax deductibility of interest payments made by Brazilian legal entities to foreign entities up to a given debt/equity ratio expressly provided for in the applicable tax legislation.

Pursuant to the current Brazilian legislation, the debt/equity ratios to be used for the purposes of determining the limitations for interest payment deductions under the thin capitalization rules may vary depending on the place in which the foreign creditor is resident or domiciled. The thin-capitalization rules are applicable to interest payments made to (i) related parties not resident in a tax-haven jurisdiction; and (ii) foreign parties resident in a tax-haven jurisdiction or a privileged tax regime, irrespective whether such foreign party is related to the Brazilian debtor.

Moreover, MP 472/09 sets-forth specific requirements for the deductibility of payments made by a Brazilian legal entity to a beneficiary located in a tax haven jurisdiction or in a privileged tax regime. Since the provisions brought by MP 472/09 are very recent, it is still unclear how the tax authorities will interpret and apply such provisions. Finally, MP 472/09 has yet to be voted on and approved by the Brazilian Congress. These new regulations may have an impact on the transactions performed by any Brazilian company.

PIS and COFINS

Two federal contributions are imposed on the gross revenues of corporate entities: the *Programa de Integração Social* contribution (“**PIS**”) and the *Contribuição para Financiamento de Seguridade Social* (“**COFINS**”).

In May 2003, the Brazilian Congress approved an increase in the rate of COFINS, payable by the financial services sector. Since September 2003, the PIS and COFINS have been imposed on Bradesco’s 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 tax bases. The COFINS and the PIS rate for some non-financial companies have increased from 3% to 7.6% and from 0.65 to 1.65%, respectively, resulting in a combined rate of 9.25%, although certain deductions for expenses are authorized (non-cumulative PIS and COFINS regime). Pursuant to Section 1 of Decree No. 5,442 of September 5, 2005, the PIS and COFINS non-cumulative rates applicable to financial revenues received by legal entities (non-financial institutions) is zero per cent.

Fiscal Neutrality of New Accounting Methods

On December 3, 2008, the President of Brazil sanctioned MP 449/08, which was converted into Law No. 11,941, dated May 27, 2009, to offset the impact of the new accounting methods and criteria introduced under Law 11,638/07 that affects the basis for calculating federal taxes. MP 449/08 created RTT (Provisional Tax Regime), which attempts to uphold the principle of tax neutrality. RTT could be applied voluntarily in 2008 and 2009, but has become obligatory in 2010, unless other regulations addressing the tax effects of the new accounting methods are enacted.

Leasing Regulation

The basic legal framework governing leasing transactions is established by Law No. 6,099 of September 12, 1974, as amended (the “**Leasing Law**”), and the regulations issued thereunder by the CMN. The Leasing Law sets forth general guidelines for the incorporation of, and the activities permitted to be performed by, leasing companies. The CMN, in its capacity as regulator and supervisor of the financial system, provides the details of the provisions set forth in the Leasing Law and supervises and controls the transactions conducted by leasing companies. The laws and regulations issued by the Central Bank with respect to financial institutions in general, such as reporting requirements, capital adequacy and leverage, asset composition limits and treatment of doubtful loans, are also applicable to leasing companies to the extent applicable.

Insurance Regulation

The Brazilian insurance system is currently overseen by two governmental entities, CNSP and SUSEP. The SUSEP is responsible for implementing and overseeing the CNSP’s policy and ensuring compliance with this policy by insurance companies and brokers. Insurance companies require government approval to operate, as well as specific approval from the SUSEP to offer each of their products. Insurance companies may sell policies only through qualified brokers.

Insurance companies must set aside reserves, funds and provisions in accordance with CNSP criteria. The investments backing up the reserves must be diversified. A substantial portion of the assets in which insurance companies can invest in are securities. As a result, insurance companies are major investors in the Brazilian financial markets and are subject to a series of rules and conditions imposed by the CMN regarding the investment of reserves.

Insurance companies are prohibited from:

- acting as financial institutions by extending credit and issuing guarantees;
- trading in securities (subject to exceptions); or
- investing outside of Brazil.

Insurance companies must operate within technical limits set forth by SUSEP pursuant to rules established by the CNSP. The rules take into account the economic and financial situation of the insurance companies, the technical conditions of their respective portfolios and the results of their operations with IRB — Brazilian Reinsurance Institute.

IRB had a monopoly over the Brazilian reinsurance market from 1932 through 1996. In 1996, the monopoly was formally eliminated. On January 16, 2007, Complementary Law No. 126 created a new policy for reinsurance (whereby underwriters obtain secondary insurance for the risks that they are insuring), retro-assignments and intermediation in Brazil. In practical terms, such law resulted in the end of the IRB monopoly over reinsurance and retro-assignment markets. Furthermore, certain regulatory duties and activities originally attributed to IRB were transferred to CNSP and SUSEP.

Insurance companies must file unaudited monthly and audited quarterly, semiannual and annual reports with the SUSEP.

Insurance companies are exempt from ordinary financial liquidation procedures and instead follow a special procedure administered by SUSEP. Financial liquidation may be either voluntary or compulsory. The Minister of Finance institutes compulsory dissolutions of insurance companies.

There is currently no restriction on foreign investment in insurance companies.

Health Insurance

Private health insurance and health plans are currently regulated by Law No. 9,656 of July 4, 1998, as amended (the “**Health Insurance Law**”), which determines the general provisions applicable to health insurance companies and the general terms and conditions of agreements entered into between health insurance companies and their customers. The Health Insurance Law establishes, among other things:

- mandatory coverage of certain expenses, such as those arising from preexisting conditions;
- the conditions precedent for admission to a plan;
- the geographical area covered by each insurance policy; and
- the pricing criteria insurance companies may use.

The National Agency of Supplemental Health is responsible for supervising supplemental health services provided by health insurance companies pursuant to directives set forth by the Supplemental Health Council.

Prior to July 1, 2001, insurance companies were able to offer private health insurance plans. Subsequent to that date, only operators of private health insurance plans may offer such plans. We created Bradesco Saúde in 1999 to fulfill this requirement.

Private Pension Plans

Open-fund private pension plans are subject, for purposes of inspection and control, to the authority of the CNSP and the SUSEP, which are under the regulatory authority of the Ministry of Finance. The CMN, CVM and Central Bank may also issue regulations pertinent to private pension plans, particularly with respect to technical reserves. Regulations applicable to pension funds generally do not allow them to invest their funds directly abroad.

Open-fund private pension entities must set aside reserves and provisions as collateral for their liabilities.

The Consumer Defense Code and the Banking Client Defense Code

On March 26, 2009, CMN Resolution 3,694 expressly revoked CMN Resolution No. 2,878 of July 26, 2001, which established procedures with respect to the settlement of financial transactions and services provided by financial institutions to customers and the public in general. CMN Resolution 3,694 sets out new rules in connection with the execution of transactions and provision of services by financial institutions and other institutions authorized to operate by the Central Bank. According to such rules, financial institutions must reflect, in their internal control and risk management systems, the adoption and verification of procedures in connection with the execution of transactions and provision of services that will ensure:

- the supply of required information necessary for the free choice and decision making by their clients and users, including drawing to their attention the contractual clauses or practices that imply duties, responsibilities and penalties, and providing in a timely manner copies of contracts, receipts, statements and other documentation related to the applicable transactions and services rendered to them; and
- the use of clear, objective and adequate (to the nature and complexity of the applicable transaction or service) language in contracts and documents, in order to allow the proper understanding of their tenor and identification of deadlines, amounts, costs, fines, dates, locations and other conditions.

Financial institutions must also disclose in their premises and in the premises where their products are offered visible written information related to the events which may cause the refusal of payment or the reception of checks, bank slips, documents (including collecting documents), bills and others. Financial institutions are prohibited to refuse or hinder access by clients or users of their products and services, to conventional customer support channels, including bank tellers, ATMs, even if alternative or electronic customer support channels are available. The provision of services through alternative service channels is permitted, provided that the required measures to preserve the integrity, reliability, security and privacy of transactions are adopted and the legitimacy of the services rendered is assumed, being the institution required to inform their clients and users about any applicable risks.

In addition to the aforementioned procedures, the Federal Supreme Court decided on June 7, 2006 that relationships between consumers and financial institutions are also subject to Law No. 8,078 of September 11, 1990 (the “**Brazilian Consumer Defense Code**”), which ensures consumers certain prerogatives that facilitate their defense in courts, such as the imposition of the reverse burden of proof, and defines limits to bank interest rates deemed to be abusive. Therefore, financial institutions must fully comply with the provisions set forth in the Brazilian Consumer Defense Code, as applicable.

Amendment to the Brazilian Corporate Law

On October 31, 2001, Law 10,303 was enacted revising the Brazilian Corporate Law in several important ways, including broadening the rights of minority shareholders such as the holders of our preferred shares. We were required to conform our by-laws to comply with the provisions of the Accounting Practices Adopted in Brazil by March 1, 2003.

The new law includes provisions that:

- oblige our controlling shareholder to make a tender offer for our shares upon a de-listing or if that shareholder increases its interest in our capital stock to a level that materially and negatively affects the liquidity of our voting shares;
- authorize, under certain circumstances, if after a tender offer, our controlling shareholder increases its participation in our total stock to more than 95.0%, to redeem minority shareholders’ shares at the price offered for shares in the tender offer;

- require that preferred shares traded on a stock exchange have one of the following advantages: (i) priority in receipt of dividends corresponding to at least 3% of the book value per share (after this priority condition is met and the same dividend amount is paid to the holders of common shares, equal conditions apply to preferred and common shares); or (ii) dividends 10% higher than those paid for common shares; or (iii) a tag-along right at 80% of the price paid to the controlling shareholder in case of a transfer of control;
- give dissenting holders of our common shares the right of withdrawal in the event of certain spin-off;
- grant to shareholders that are not our controlling shareholders but that hold preferred shares representing at least 10.0% of our share capital or common shares representing at least 15.0% of our voting capital the right to appoint one member and an alternate to our Board of Directors; *provided* that if none of the common or preferred shareholders meet the respective thresholds described above, shareholders representing at least 10.0% of our share capital would be able to combine their holdings to appoint one member and an alternate to our Board of Directors.
- require controlling shareholders or a group of shareholders that appoint members of our Board of Directors or Audit Committee to immediately disclose to the CVM and the Brazilian stock exchanges changes in their shareholdings;
- require us to send copies of the documentation we submit to our shareholders in connection with shareholders' meetings to the Brazilian stock exchanges where our shares are most actively traded; and
- require disputes among our shareholders to be subject to arbitration if provided for in our by-laws.

Law 11,638/07 altered and revoked existing provisions and added new provisions to the Brazilian Corporate Law, particularly with respect to Chapter XV concerning Fiscal Year and Financial Statements. The primary purpose of Law 11,638/07 is to update Brazilian Corporate Law to enable the convergence of Accounting Practices Adopted in Brazil with IFRS. The principal changes introduced by Law 11,638/07 will not become fully effective until the applicable Brazilian regulatory agencies enact specific regulations implementing such changes. As a result, the Central Bank, through Release No. 16,669 of March 20, 2008, has permitted financial institutions not to apply the provisions of Law 11,638/07 in the preparation of their interim financial statements during 2008.

Pursuant to Law 11,638/07, the issuance of accounting standards by the CVM for publicly-held companies must be made in compliance with international standards. In a preliminary notice to the market, the CVM has stated that the standards adopted by the IASB—International Accounting Standards Board are currently considered an international reference for accounting standards.

On December 3, 2008, the President of Brazil sanctioned MP 449/08, converted into Law No. 11,941/09, which regulates the tax effects of Law 11,638/07 and introduces RTT that attempts to clarify and neutralize the tax implications of adopting international accounting standards in Brazil.

Some of the principal changes resulting from Law 11,638/07, as amended by MP 449/08, which was converted into Law No. 11,941, dated May 27, 2009, include:

- the replacement of the statement of origin and appropriation of funds with a cash flow statement;
- the inclusion of the subgroup “intangible” assets in permanent assets for recording the rights related to the intangible assets used for maintaining the business or which are exercised for such purpose, including acquired goodwill related to merged companies. Fixed assets will include assets resulting from any operation where there is a transfer of benefits, control and risk, regardless of whether ownership is transferred;

- the creation of a new subgroup in shareholders' equity called "Equity Evaluation Adjustment," which will register increases and decreases of assets and liabilities, as a result of their evaluation at fair value;
- the introduction of the concept of Adjustments to Present Value for long-term lending and fundraising operations and for short-term relevant operations;
- obligatory periodic analysis to verify the recovery level of amounts recorded in fixed assets and intangible assets; and
- changing the treatment of tax incentives, which will be recorded directly in the income statement and may subsequently be allocated to profit reserves—tax incentive reserves and may be excluded from the calculation base of minimum mandatory dividends.

Brazilian Rules Regarding Disclosure of Information

On January 3, 2002, the CVM issued Instruction No. 358, as amended by Instruction No. 369 of June 11, 2002 and Instruction No. 449 of March 15, 2007, regarding the disclosure and use of information related to material facts and acts that we will have to disclose to the market. These new regulations include provisions that, among others:

- broaden the concept of material fact, including with respect to any decision of our controlling shareholders that may influence the price of our securities or any decision of investors to trade such securities or to exercise any of such securities' underlying rights;
- better specify the examples of facts that shall be considered material facts, including, among others, the execution of shareholders' agreements providing for the transfer of control, the entry or withdrawal of shareholders that maintain any managing, financial technological or administrative contract with, or contribution to the corporation and any corporate restructuring undertaken among related companies;
- extend, in case of failure of our investor relations officer to do so, the responsibility to disclose material facts to our controlling shareholders, other officers, directors, members of the audit committee and advisory boards;
- extend the duty of secrecy of yet undisclosed material facts to the members of our advisory and technical boards and our employees, all of whom shall ensure that any trustworthy third parties or subordinated persons preserve such secrecy, being jointly liable for noncompliance of such requirement;
- oblige us to disclose material facts to all markets in which our securities are admitted for trading;
- in case we acquire a controlling stake in a corporation, oblige us to publish in the material fact disclosure document our intent as to whether or not we plan to de-list the company's shares within one year;
- broaden the rules regarding disclosure requirements in the acquisition and disposal of material shareholding stakes;
- restrict the use of inside information.

Furthermore, according to Instruction No. 480, enacted by the CVM on December 7, 2009, securities issuers registered with the CVM must annually update a form containing relevant information related to the respective issuer. Such form must also be updated upon the occurrence of certain events, including corporate transactions, bankruptcy and securities issuances.

New Civil Code

Law No. 10,406 of January 10, 2002 instituted a new Brazilian Civil Code (the “**New Civil Code**”) which took effect on January 11, 2003. Law No. 10,406 was enacted to amend the Civil Code of 1916 in several important ways, including introducing changes to update the legal system. The New Civil Code is very wide-ranging in application, governing individuals, corporations and other legal entities, and has provisions which affect, among others, contracts, property, family and succession law.

Contractual obligations and guarantees entered into before January 11, 2003 will remain governed by the Civil Code of 1916 solely in relation to their validity; although, in principle and pursuant to Article 2,035 of the New Civil Code, the effects of such agreements generated as from January 11, 2003 will be governed by the New Civil Code. The changes made by the New Civil Code will be significant both in scope and scale in Brazil, but should not have a material impact on our current business.

INDEPENDENT AUDITORS

The following section replaces “Independent Auditors” beginning on page B-160 of the Base Prospectus.

The consolidated financial statements as of and for the years ended December 31, 2009 and 2008 incorporated by reference into this Base Prospectus Supplement have been audited by PricewaterhouseCoopers Auditores Independentes, independent auditors, as stated in their report appearing therein.

The consolidated financial statements as of and for the years ended December 31, 2008 and 2007 incorporated by reference in this Base Prospectus Supplement have been audited by PricewaterhouseCoopers Auditores Independentes, independent auditors, as stated in their report appearing therein. These financial statements are not directly comparable to the as of and for the years ended December 31, 2009 and 2008. See “Selected Financial Information - Reclassifications”.

PricewaterhouseCoopers Auditores Independentes is registered at and a member of the *Conselho Regional de Contabilidade*, a Brazilian accountancy regulatory body, under the number 2SP000160/O-5; the IBRACON, the Brazilian professional accounting body; and the CVM, the Brazilian Securities and Exchange Commission, under the “Ato Declaratório 5038/98”. The offices of PricewaterhouseCoopers Auditores Independentes are located at Av. Francisco Matarazzo, 1400 - Torre Torino, São Paulo, SP Brazil - 05001-903. PricewaterhouseCoopers Auditores Independentes served as our independent auditor for the years ended December 31, 2009, 2008 and 2007.