The information in this preliminary Offering Circular is not complete and may be changed. We may not sell these securities or accept any offer to buy these securities until the issuer delivers this preliminary Offering Circular to you in final form. We are not using this preliminary Offering Circular to offer to sell these securities or to solicit offers to buy these securities in any place where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED 8 DECEMBER 2009
PRELIMINARY OFFERING CIRCULAR

(incorporated under the laws of the Federative Republic of Brazil)

U.S.$ 300,000,000
Medium Term Note Programme

Paraná Banco S.A. may from time to time issue medium term notes, or the Notes, pursuant to the Medium Term Note Programme described herein, or the Programme, denominated in U.S. dollars or such other currencies or currency units as specified in the relevant Final Terms, or the Final Terms, to this Offering Circular.

Except as set forth herein, the Notes will have maturities of 30 days or more from their date of issue as may set forth in the relevant Final Terms, subject to all legal and regulatory requirements applicable to the issuances in particular currencies. The maximum principal amount of all Notes from time to time outstanding will not exceed U.S.$300,000,000 (or the equivalent, calculated as described herein, in other currencies), subject to any duly authorized increase. All references herein to the Programme should be read to take into account any such increases.

The Notes may be issued (a) to bear interest on a fixed-rate basis, or Fixed Rate Notes, (b) on a non-interest bearing basis, or Zero Coupon Notes, or (c) in any combination thereof as specified in the applicable Final Terms. The Notes may be issued in bearer or registered form. The Notes will be direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank at least equally with all of the Issuer's other present and future unsecured and unsubordinated obligations. Notes that are identical in all respects except for issue date, interest commencement date or issue price, shall constitute a series, or each a Series.

The Notes may be offered on a continuous basis through one or more of the Dealers specified under "Summary" and any additional dealer appointed from time to time by the Issuer, or each a Dealer and, together, the Dealers, which appointment may be for a specific issue or on an ongoing basis. The applicable Final Terms will specify the Dealer, Dealers or syndicate of Dealers through which the Notes of a particular Series will be offered. Notes may also be sold to a Dealer or Dealers as principal, at negotiated discounts or otherwise, and the Notes may be sold to or through syndicates of financial institutions for which one or more Dealers will act as lead manager.

Application has been made to list the Notes issued under the Programme on the Official List of the Société de la Bourse de Luxembourg, or the Luxembourg Stock Exchange, and to approve this Offering Circular and to admit the Notes to trading on the Euro MTF Market, or the Euro MTF. The Programme also permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. This Offering Circular constitutes a prospectus for the purposes of the Luxembourg Law dated 10 July 2005 on Prospectuses for Securities. See "Listing and General Information."

See "Risk Factors" beginning on page 16 of this Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Notes.

This Offering Circular should be read and construed together with any amendments or supplements hereto and with any other documents attached hereto and, in relation to any Series of Notes, should be read and construed together with the relevant Final Terms. This Offering Circular may only be used for the purpose for which it has been published.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES ACT, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S. PERSONS, EXCEPT AS PERMITTED BY REGULATION S OR CERTAIN OTHER EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT, OR REGULATION S. SEE "SELLING RESTRICTIONS."

Arranger and Dealer	*Dealer*
Queluz Securities LLP	**Jefferies & Company, Inc.**

The date of this Offering Circular is [-] December 2009

The Notes will be issued in such denominations as may be specified in the relevant Final Terms provided that Notes shall not be issued or transferred in denominations of less than Euro 50,000 (or its equivalent in another currency).

Notes of each Series may be issued in bearer form and sold in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. Such Notes will initially be represented by a temporary global Note without coupons, or a Temporary Global Note, which will be deposited on or prior to the Issue Date of such Notes with a common depositary for Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, *société anonyme*, or Clearstream. Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global Note without coupons, or a Permanent Global Note, on or after the 40th day after the completion of the distribution of the relevant Series upon certification of non-U.S. beneficial ownership. Notwithstanding the foregoing, if indicated in the applicable Final Terms, Notes with a maturity of not more than one year may initially be represented by one or more Permanent Global Notes. In certain limited circumstances, interests in a Permanent Global Note will be exchangeable for definitive Notes in bearer form.

Notes of each Series may also be issued in registered form and sold in transactions outside the United States in reliance on Regulation S under the Securities Act. Such Notes shall initially be issued in the form of a registered global Note without coupons, or a Registered Global Note, which shall be deposited with a common depositary for Euroclear and Clearstream. On or prior to the 40th day after the completion of the distribution of such Series, beneficial interests in the Registered Global Note may be held only through Euroclear and Clearstream. In certain limited circumstances interests in a Registered Global Note will be exchangeable for definitive notes.

Each purchaser of Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing the Notes with a view to the resale, distribution or other disposition thereof to a U.S. person or in the United States. Except as otherwise indicated, terms used in this paragraph have the meanings given to them in Regulation S. For a description of these and certain further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see "Selling Restrictions."

We have taken all reasonable care to ensure that the facts stated in this Offering Circular in relation to us and our subsidiaries, the Programme, and the Notes to be issued under the Programme which are material in the context of the issuance and offering of the Notes are true and accurate in all material respects and not misleading in any material respect, and that there are no other facts in relation to us, the Programme or the Notes the omission of which would, in the context of the issuance and offering of the Notes, make any statement in this Offering Circular misleading in any material respect. We accept responsibility accordingly. Information provided herein with respect to Brazil, and general industry information, is based upon publicly available information (including from the Central Bank, and the Brazilian National Monetary Council (*Conselho Monetário Nacional*), or the CMN, (www.bacen.gov.br)) which has not been independently verified by us, the Arranger or any Dealer, and none of us or any Dealer makes any representation or warranty relating thereto (except that we accept responsibility for the accurate extraction and reproduction of such information).

No person is authorized to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of us or any Dealer.

The obligations of the Issuer in respect of the Notes are not in any way guaranteed by, or otherwise backed by the credit of, any government or any agency or political subdivision thereof. The Arranger and the Dealers make no representations or warranties, expressed or implied, as to the accuracy or completeness of the information contained in this Offering Circular.

This Offering Circular and any Final Terms do not constitute a recommendation by, an offer of, or an invitation by or on behalf of us or any Dealer to subscribe for or to purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of our financial condition and affairs, and its own appraisal of our creditworthiness. Neither the delivery of this Offering Circular or any Final Terms nor the offering, sale and delivery of any Note shall create any implication that the information contained herein is correct at any time after the date hereof or that there has been no change in our financial condition and affairs since the date hereof. The Dealers expressly do not undertake to review our financial conditions and affairs during the life of the Programme. Investors should review, *inter alia*, our most recent financial statements when evaluating an investment in the Notes.

No representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any Dealer as to the accuracy or completeness of the information contained in this Offering Circular or any further information supplied in connection with the Notes. The Dealers accept no liability in relation to the information contained in this Offering Circular or the distribution hereof or with regard to any other information supplied by us or on our behalf.

The distribution of this Offering Circular, or any part hereof, and the offering, sale and delivery of the Notes in certain jurisdictions, may be restricted by law. Persons into whose possession this Offering Circular comes are required to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Circular, see "Selling Restrictions." This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction in which such offer or solicitation is unlawful.

This Offering Circular contain summaries of certain provisions contained in the Indenture, or the Indenture, dated as of 14 July 2008, among us, The Bank of New York Mellon, London Branch, as Trustee, London Paying Agent and Registrar, or the Trustee, The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Listing and Paying Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Principal Paying Agent, the Notes, and the Dealer Agreement, dated as of 14 July 2008, as amended, among us, the Arranger and the Dealers, or the Dealer Agreement. Such summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of the Indenture, the Notes and the Dealer Agreement, and the agreements referred to therein. Copies of the Indenture, the Notes and the Dealer Agreement will be available free of charge at the office of the Trustee and each of the Paying Agents.

None of us or any Dealer makes any comment about the treatment for taxation purposes of payments or receipts in respect of the Notes to or by a holder of Notes or the legality of the purchase of Notes by an investor under applicable investment or similar laws. Each prospective investor is advised to consult its own tax adviser, lawyer and business adviser as to tax, legal, business and related matters concerning the purchase of Notes.

None of the Dealers or any of their affiliates assumes any obligation to purchase any Notes or to make a market in the Notes, and no assurances can be given that a liquid market for the Notes will exist. See "Risk Factors—Risks relating to the Notes—There is presently no active market for the Notes."

We have undertaken that if, following the date when we and the relevant Dealers reach an agreement and before the Issue Date of the relevant Notes, we shall become aware of the occurrence of any event as a result of which this Offering Circular would contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, we will update or amend this Offering Circular (following consultation with the Dealers) by the publication of the revised Offering Circular or a supplement to the Offering Circular, in a form reasonably satisfactory to the relevant Dealers.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, or the SEC, or any state securities commission nor has the SEC or any authority of the Federative Republic of Brazil passed upon the accuracy or adequacy of this Offering Circular.

We have not authorized the offer and sale of the Notes in Brazil. Any offering or distribution of Notes in Brazil is not legal. If a Brazilian resident acquires any Notes, such Note can neither be circulated in Brazil in bearer form nor be repaid in Brazil to a Brazilian resident in a currency other than the Brazilian currency in effect at the time such payment is made. The Dealers have agreed not to offer or sell Notes in Brazil, except in compliance with applicable Brazilian laws or pursuant to an available exemption therefrom.

In connection with the issue of any Series of Notes, Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. There is no assurance, however that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Series of Notes and 60 days after the date of the allotment of the relevant Series of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Accounting Practices Adopted in Brazil

The accounting practices adopted in Brazil, or Brazilian GAAP, consist of the accounting principles set forth under:

- Law No. 6,404, dated 15 December 1976, as amended, or the Brazilian Corporations Law;
  - certain accounting standards, or IBRACON accounting standards, issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), or IBRACON;
  - accounting rules established by the CMN and the Central Bank, applied only to financial institutions in Brazil, or the CMN and Central Bank rules; and
  - rules and regulations issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM.

The consolidated financial statements included in this Offering Circular are prepared in accordance with Brazilian GAAP, but in order to meet certain reporting requirements of the CVM and the Central Bank, respectively, the consolidated and non-consolidated financial statements have been prepared according to the criteria, for each case, as more fully discussed below.

Brazilian GAAP differs in certain significant respects from accounting principles generally accepted in the United States, or U.S. GAAP, and from International Financial Reporting Standards, or IFRS. There are significant differences between U.S. GAAP and IFRS and Brazilian GAAP. Accordingly, the financial statements contained in this Offering Circular differ from those that would be prepared based upon U.S. GAAP or IFRS. We have made no attempt to identify or quantify the impact of those differences. No reconciliation to U.S. GAAP or IFRS of any of the financial statements presented in this Offering Circular has been prepared for the purpose of this Offering Circular or for any other purpose. There can be no assurance that reconciliations would not identify material quantitative differences as well as disclosures and presentation differences between our consolidated financial statements as prepared in accordance with Brazilian GAAP and the financial statements as prepared under U.S. GAAP or IFRS. For example, one item that could require a significant adjustment from Brazilian GAAP to U.S. GAAP and IFRS relates to the accounting treatment used to recognize income from loans assigned with co-obligations. For further information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Loan Assignments.”

Financial Statements Included in this Offering Circular

We present both our consolidated and non-consolidated financial statements in this Offering Circular. Our consolidated financial statements have been prepared in accordance with Brazilian GAAP. References in this Offering Circular to our “consolidated financial statements” are to our financial statements prepared in accordance with Brazilian GAAP. We also present non-consolidated financial statements, which have been prepared in accordance with the Brazilian Corporations Law, IBRACON accounting standards and CMN and Central Bank rules. References in this Offering Circular to our “non-consolidated financial statements” are to our financial statements prepared in accordance with the Brazilian Corporations Law, IBRACON accounting standards and CMN and Central Bank rules. The below discussion provides additional information about certain significant differences between our consolidated and non-consolidated financial statements.

We are required by the CVM to prepare our consolidated financial statements in accordance with Brazilian GAAP, which requires the use of a consolidation method that is different from the one required under the Brazilian Corporations Law, IBRACON accounting standards and CMN and Central Bank rules. Unless otherwise indicated, the financial information contained and discussed in this Offering Circular refers to our consolidated financial information prepared in accordance with Brazilian GAAP, which require the use of the consolidation method provided in the rules and regulations issued by the CVM.

In addition, because we are a financial institution we are required to report our non-consolidated financial information (i.e., financial information relating only to our bank) to the Central Bank in accordance with the Brazilian Corporations Law, IBRACON accounting standards and CMN and Central Bank rules. Our non-consolidated financial statements are used for the calculation of payment of dividends and interest on shareholders' equity and various operating limits as required by the Central Bank.

Certain significant differences between the rules of the CVM and the Central Bank as they apply to the presentation of our financial information in this Offering Circular are described under "Our Financial Reporting as a Publicly Held Company in Brazil" below.

The financial statements described below are included in this Offering Circular:

- our non-consolidated financial statements and our consolidated financial statements as of and for the nine months ended 30 September 2008 and 2009, in each case, subject to limited review and prepared in accordance with the Brazilian Corporations Law, IBRACON accounting standards and CMN and Central Bank rules and Brazilian GAAP, respectively; and

- our audited non-consolidated financial statements and our audited consolidated financial statements as of and for the years ended 31 December 2006 2007 and 2008, in each case prepared in accordance with the Brazilian Corporations Law, IBRACON accounting standards and CMN and Central Bank rules and Brazilian GAAP, respectively.

See "Independent Auditors."

Our Financial Reporting as a Publicly Held Company in Brazil

As a publicly held company in Brazil, in addition to the Brazilian Corporations Law, IBRACON accounting standards and CMN and Central Bank rules, we will also be subject to CVM rules and regulations regarding consolidation and disclosure of financial information. Therefore, we will report and disclose our financial information under Brazilian GAAP. Prior to our registration as a publicly held company in Brazil, we had prepared our financial statements in accordance with the Brazilian Corporations Law, IBRACON accounting standards and CMN and Central Bank rules and following the consolidation guidelines of the Central Bank's rules.

The consolidation rules and regulations of the Central Bank for non-financial subsidiaries and funds for the securitization of receivables (*Fundos de Investimento em Direitos Creditórios*), or FIDCs, differ in several respects from the CVM rules. The Central Bank rules require us to consolidate only the results of entities defined as "financial conglomerates." Financial conglomerates are defined as the "group of financial entities directly connected to each other or not by means of stock holdings or actual operating control, characterized by common administration or management, or by market operation under the same trademark or name," as set forth by Rule No. 21 of the Brazilian Accounting Plan of Institutions of the National Finance System (*Plano Contábil das Instituições do Sistema Financeiro Nacional*), or COSIF. FIDCs do not constitute "financial conglomerates" under this definition and as such are not included in our bank's non-consolidated financial statements prepared for Central Bank purposes.

On the other hand, under Brazilian GAAP, the CVM rules require assets, liabilities, revenues and expenses of subsidiaries, including non-financial subsidiaries and certain FIDCs, to be presented on a consolidated basis, rather than (1) in the line item "investments," in the case of subsidiaries, and in the line item "securities," in the case of FIDCs, on the balance sheet; and (2) in the line item "equity pick-up," in the case of subsidiaries, and in the line item "securities," in the case of FIDCs, on the statement of income. Accordingly, the consolidation of FIDCs' total assets, total liabilities, shareholders' equity and net income presented in our non-consolidated financial statements according to the rules of the Central Bank differ from those presented in our consolidated financial statements prepared in accordance with rules and regulations issued by the CVM because of the elimination of unrealized profits and reinstatement of assets and liabilities relating our loan assignments to *Fundo de Investimento em Direitos Creditórios Paraná Banco I,* or Paraná Banco I FIDC, and to *Fundo de Investimento em Direitos Creditórios Paraná Banco II*, or Paraná Banco II FIDC.

As a result of these differences, for the year ended 31 December 2008, and for the nine months ended 30 September 2009 under the rules and regulations of the Central Bank, in our non-consolidated financial statements, our net income was R$78.5 million and R$77.6 million, respectively. For the same periods, under the rules and regulations issued by the CVM, in our consolidated financial statements, we added to our net income the amount of R$5.6 million for the year ended 31 December 2008 and eliminated from our net income the amount of R$2.4 million for the nine months ended 30 September 2009, related to unrealized profits regarding our loan assignments to Paraná Banco FIDC I and Paraná Banco FIDC II, resulting in consolidated net income of R$84.1 million for the year ended 31 December 2008 and R$75.2 million for the nine months ended 30 September 2009.

Except for transactions entered into with companies not included in our consolidated financial information, we eliminated intercompany equity interests, account balances, revenues, expenses and unrealized profits in the preparation of our consolidated financial statements.

Information Relating to Our Loan Portfolio

The information included in this Offering Circular relating to our "on-balance sheet loan portfolio" is comprised of the balances related to transactions in effect recorded under "loans," as indicated in note 6 to our consolidated financial statements as of and for the year ended 31 December 2008.

In this Offering Circular, references to "loan assignments with co-obligations" or "loans assigned with co-obligations" refer to loans that we assign to other financial institutions under which we guarantee the debtor's obligations under the loan. References to "loan assignments without co-obligations" or "loans assigned without co-obligations" refer to loans that we assign to other financial institutions under which the assignee has no right of recourse against us in the event of default by the debtor. Loan assignments with co-obligations that are under default by the borrower are recorded in our on-balance sheet loan portfolio and are provisioned in accordance with its credit risk classification.

References in this Offering Circular to "assigned loan portfolio" are to the balance of loan assignment transactions, with and without co-obligations. The loan assignment transactions with co-obligations are recorded in memorandum accounts (off-balance sheet accounts). For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Exchange Rate Sensitivity—Off-balance sheet arrangements." References in this Offering Circular to the "total loan portfolio" are to the on-balance sheet loan portfolio plus the assigned loan portfolio.

Market Information

The information and statistical data relating to the market where we operate is based on data disclosed by the Central Bank, the Brazilian Private Insurance Authority (*Superintendência de Seguros Privados*), or SUSEP, other government agencies and other independent sources, such as reports prepared by independent consulting firms and publications in general, in each case which we believe to be reliable. This statistical information or data were not subject to any independent verification as to its accuracy or completeness.

Rounding

We have made rounding adjustments to some of the figures included in this Offering Circular. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Certain Terms Used Herein

In this Offering Circular, references to "employees" refer to public and private employees and retirees and benefit recipients of the Brazilian National Pension Fund (*Instituto Nacional de Seguridade Social*), or INSS, unless the context requires otherwise. References to "employers" refer to municipal, state and federal government entities and private sector companies and to the INSS, unless the context requires otherwise.

In this Offering Circular, references to "gross written premiums" are to revenues of the Insurance Company related to surety bonds and mandatory insurance for personal injury caused by automotive vehicles (*Danos Causados por Veículos Automotores*), or DPVAT. References to "retained premiums" are to gross written premiums less ceded premiums. Ceded premiums are the premiums assigned to a reinsurance company. References to the "retained premium ratio" refer to retained premiums calculated as a percentage of gross written premiums. References to "earned premiums" refer to gross written premiums less ceded premiums and less provisions for technical reserves. References to "loss (claims)" are to retained claims and references to "loss (claims) ratio" refer to the balance of the amount provisioned based on the amount set forth in the notice of loss (claim) (*aviso de sinistro*) less recovery of loss (claims).

In this Offering Circular, references to "banking brokers" are to banking sales agents (*correspondentes bancários*). References to "Central Bank" refer to the Central Bank of Brazil (*Banco Central do Brasil*).

In this Offering Circular, the term "Brazil" refers to the Federative Republic of Brazil, and the phrase "Brazilian government" refers to the federal government of Brazil. The terms "U.S. dollar" and "U.S. dollars" and the symbol "U.S.$" refer to the legal currency of the United States. The terms "*real*" and "*reais*" and the symbol "R$" refer to the legal currency of Brazil.

In this Offering Circular, unless the context otherwise requires, references to "we," "our," "us," the "Bank", "Paraná Banco" or the "Issuer" mean Banco Paraná S.A.

This Offering Circular contains translations of various *real* amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the *real* amounts actually represent these U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, as of and for (i) the nine months ended 30 September 2009, the *real* amounts have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, as reported by the Central Bank, as of 30 September 2009 of R$1.7781 to U.S.$1.00 and (ii) the year ended 31 December 2008, the *real* amounts have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, as reported by the Central Bank, as of 31 December 2008 of R$2.3370 to U.S.$1.00. As of [ ] December 2009, the commercial selling exchange rate was R$[ ] to U.S.$1.00, as reported by the Central Bank. For further information regarding the translation of *reais* into U.S. dollars, see "Exchange Rates and Exchange Controls."

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements which reflect our views with respect to future events and financial performance. The words "believes," "expects," "intends," "plans," "projects," and "anticipates" and similar expressions commonly identify such forward-looking statements. Prospective investors are cautioned not to place undue reliance on these statements and cautioned that actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors described in this Offering Circular as well as the factors referred to below (collectively, the "Cautionary Statements"). Forward-looking statements in this Offering Circular speak only as of their dates, and we have not undertaken any obligation to publicly update or revise any of them, whether as a result of new information, future events or otherwise. In addition to the risk factors described in this Offering Circular, actual results could differ materially from those anticipated as a result of global and Brazilian economic, political, social and financial conditions, changes in applicable regulations or the competitive environment, and developments in our operations, facilities, performance, prospects or financial condition. All forward-looking statements in this Offering Circular are expressly qualified by the Cautionary Statements. See "Risk Factors."

ENFORCEABILITY OF CIVIL LIABILITIES

We are organized under the laws of Brazil. Substantially all of our assets are located outside of the United States and the United Kingdom. In addition, all of our directors and executive officers and certain other parties named herein reside outside the United States and the United Kingdom and substantially all of the assets of such persons are located outside the United States and the United Kingdom. As a result, it may not be possible (or it may be difficult) for investors to effect service of process upon us or such persons within the United States, the United Kingdom or other jurisdictions outside of Brazil or enforce against us and them judgments obtained in the courts of the United States or the United Kingdom or other jurisdictions outside of Brazil. We have appointed CT Corporation System, located at 111 Eighth Avenue, New York, NY 10011, United States of America, as our authorized agent upon which process may be served in any action or proceeding arising out of or based upon the Indenture or the Notes, as applicable, and have irrevocably submitted to the jurisdiction of the courts of the United States of America and of the State of New York, in each case sitting in the City and County of New York, and of the courts of our domicile, in any such action or proceeding.

We have been advised by our Brazilian counsel that the judgment of a court in the United States, the United Kingdom or other jurisdiction outside Brazil for civil liabilities predicated upon applicable securities laws may be enforced in Brazil against us and our directors and executive officers, as applicable, and certain others named herein without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). Such confirmation generally will be available if the judgment rendered by the court in the United States, the United Kingdom or other jurisdiction outside Brazil (i) fulfills all formalities required for its enforceability under the laws of the applicable jurisdiction, (ii) is issued by a competent court after proper service of process, (iii) is not subject to appeal, (iv) is authenticated by a Brazilian consular office in the applicable jurisdiction and is accompanied by a sworn translation in Portuguese, and (v) does not violate Brazilian national sovereignty, public policy or “good morals” (as set forth in Brazilian law). We have also been advised by our Brazilian counsel that the ability of a creditor to satisfy a judgment by attaching certain assets of the defendant is limited by provisions of Brazilian law. In addition, a plaintiff (whether Brazilian or non-Brazilian) that resides outside Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil. Notwithstanding the foregoing, no assurance can be given that the foreign judgment confirmation process described above would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of the United Kingdom, the United States or other jurisdiction outside Brazil.

TABLE OF CONTENTS

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements, including the notes thereto, contained elsewhere herein.

We are one of the first banks in Brazil to offer payroll deduction loans, a type of consumer loan that is repaid through deductions from the borrower's paycheck or benefits check. We began to offer payroll deduction loans in 1980. In 1995, when a change in Brazilian law authorized the deduction of loan repayments from paychecks of employees of the government of the Brazilian state of Paraná, we began focusing our operations on this business. Since then, we have demonstrated consistent growth and low default rates, which have contributed significantly to our becoming a profitable bank. Our return on average equity for the three years ending on 31 December 2008 was 17.5%, As of 30 September 2009, we had a ratio of capital to risk-weighted assets of 48.8%, which is substantially higher than the minimum capital requirements established by the Central Bank (11%) and the Basel Accord (8%).

A payroll deduction loan can only be offered to an individual borrower in Brazil once a bank has entered into an agreement permitting the deduction with that borrower's employer or with the INSS, in the case of a INSS benefit recipient. We are one of the leaders among medium-sized banks in the payroll deduction loan business in Brazil, in terms of number of agreements with employers. As of 30 September 2009, we had 531 active agreements with various municipal, state and federal entities. These employers include 16 Brazilian states; 310 municipalities including important Brazilian state capitals and main cities such as São Paulo, Rio de Janeiro, Curitiba, Porto Alegre, Belo Horizonte, Salvador, Recife and Goiânia, among others; the INSS and several municipal, state and federal government entities. As of the same date, we had more than 316,000 individual loan agreements in effect. Our current agreements with employers provide us with the potential for growth on a large untapped base that we estimate to be of approximately 27 million potential customers. We have well-structured nationwide sales channels, including seven owned stores, 80 franchises and a diversified network of 607 banking brokers as of 30 September 2009.

We have historically operated in the credit market for small and middle-sized companies. For strategic reasons, we suspended these operations in 1998 and later resumed them in the beginning of 2007, since which we have been granting loans in the form of unsecured loan agreements, overdraft facilities and working capital financing loans to small and middle-sized companies. As of 30 September 2009, we had a portfolio of R$117.5 million, which represented 9.7% of our total credit portfolio.

Our total loan portfolio showed an average compound annual growth rate, or CAGR, of 30.6% from 31 December 2005 through 31 December 2008. We generated R$624.9 million, R$873.7 million and R$920.9 million in new payroll deduction loans in 2006, 2007 and 2008, respectively, which represents a compound annual growth rate of 13.8% for this three-year period. We generated R$848.0 million and R$475.2 million in new payroll deduction loans for the nine months ended 30 September 2008 and 2009, respectively. The balance of our total loan portfolio was R$1,110.5 million as of 31 December 2008, of which 91.6%, or R$1,017.2 million, was comprised of payroll deduction loans. The balance of our total loan portfolio was R$1,205.3 million as of 30 September 2009, of which 88.8%, or R$1,070.5 million, was comprised of payroll deduction loans. Our income from payroll deduction loans represented 87.3% of our consolidated income from financial intermediation as of and for the year ended 31 December 2008. Our income from payroll deduction loans represented 87.3% and 81.0% of our consolidated income from financial intermediation as of and for the nine months ended 30 September 2008 and 2009, respectively.

The JMalucelli Group

We are part of the JMalucelli Group, one of the largest business conglomerates in the state of Paraná, Brazil. The state of Paraná is located in southern Brazil and has a population of over 10 million, representing 5.56% of the Brazilian population in July 2006, according to the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE. The state of Paraná accounted for 6.1% of Brazil's gross domestic product, or GDP, in 2007, according to the most recent available IBGE data.

Founded in 1966 by Joel Malucelli with the incorporation of JMalucelli Construtora de Obras S.A., the JMalucelli Group currently comprises 44 companies, which operate mainly in the financial, insurance, construction, media, communications and infrastructure industries in Brazil, and also in other industries, including sports, tourism and agribusiness.

The Insurance Company and JMalucelli Re

On 6 March 2007, we entered into a share purchase and sale agreement to reacquire 85% of the capital stock of the Insurance Company from Advent International, acting through its subsidiary Fors Holdings S.A., or Fors Holdings, which equity interest we had originally transferred to Advent International in October 2005. The acquisition of the Insurance Company was subject to the approval of SUSEP, as it involved the transfer of control of the Insurance Company to our Bank. This approval was obtained on 15 April 2008. As a result, we currently hold 100% of the capital stock of the Insurance Company. The Insurance Company focuses its activities on the Brazilian surety bond market.

The Insurance Company led the Brazilian surety bond market with a 43.0% market share in 2008, according to SUSEP. The surety bond market in Brazil is in its incipient stages, but has demonstrated significant growth potential due to the currently prevailing favorable environment for insurance companies in Brazil as a result of the gradual opening of the Brazilian reinsurance market. Until recently, insurance companies in Brazil were required to assign part of their premiums to be reinsured by IRB, which effectively gave IRB a monopoly over the reinsurance market in Brazil. From January 2007, as a result of a new law, IRB has been required to gradually reduce its share of the Brazilian reinsurance market. Because of these changes, Brazilian insurance companies will have increased opportunities to enter into reinsurance contracts with local and international reinsurance companies. In addition, Brazilian insurance companies are expected to be able to enter into reinsurance contracts more rapidly and at more competitive prices. This change has begun to contribute to an increase in the volume of insurance business generally in Brazil.

The growth potential of the surety bond market in Brazil also stems from recent developments in the infrastructure industry created by two Brazilian governmental measures designed to enhance investment in infrastructure: (1) the Growth Acceleration Plan (*Plano de Aceleração do Crescimento*), and (2) the Public-Private Partnerships (*Parcerias Público-Privadas*). Further opportunities in this segment are likely to be generated by the infrastructure investments in projects relating to the FIFA World Cup in Brazil in 2014, the Olympic Games in Rio de Janeiro in 2016 and the pre-salt exploration in the oil fields located off the coast of Brazil. We believe that the reacquisition of the Insurance Company will continue to lead to profitable business opportunities because of the synergies between our business of granting loans and the Insurance Company's business of providing surety bonds for corporate clients.

In addition, to take advantage of the opening of the Brazilian reinsurance market, in April 2008 we incorporated JMalucelli Resseguradora S.A., or JMalucelli Re, the first Brazilian private reinsurance company.

Our Competitive Strengths

We believe that our main competitive advantages include the following:

Presence in Markets with High Growth Potential

We and the Insurance Company have strong positions in three growing markets in Brazil – payroll deduction loans, loans to small and middle-sized companies and surety bonds – each with significant growth potential.

Payroll Deduction Loans - We are one of the leaders in the payroll deduction loan market in Brazil among medium-sized banks, with over 531 active agreements with various employers and the INSS to provide payroll deduction loans to their employees and more than 316,000 individual loan agreements in effect as of 30 September 2009. We believe we have significant potential to attract new customers under our current agreements with employers and the INSS. We also believe that these employers and the INSS represent approximately 27 million potential customers. Furthermore, the unmet demand for credit in Brazil, combined with currently favorable macroeconomic conditions for the banking industry, presents an opportunity for increased growth in the payroll deduction loan business. Given the lower interest rates for these loans compared to other types of consumer loans, we are able to charge our borrowers lower loan fees. For this reason, payroll deduction loans represent an attractive alternative for the large lower-income customer base in Brazil. We believe our expertise allows us to maximize sales opportunities from our current agreements with employers and to profit from the growth potential in the payroll deduction loan market in Brazil.

Loans to small and middle-sized companies - In order to increase our participation in new markets, in 2007 we started loan operations to small and middle-sized companies, with the intention of increasing participation in this market. Today we have specialized teams in the cities of Curitiba and São Paulo and, as of 30 September 2009, loans to small and middle-sized companies totaled R$117.5 million, equivalent to 9.7% of our total credit portfolio. Our operations benefit from synergies with the Insurance Company's client base with 7.0% of our loans in this segment originated from this synergy as of 30 September 2009. In the nine months ended 30 September 2009, 16.7% of our loans to small and middle-sized companies were to the industrial sector, 72.0% were to the service sector and 11.4% were to the commercial sector. We believe that current macro-economic conditions, reinforced by recent reductions in the interest rate, justify our positioning in this market, since these factors encourage companies to increase investments in productive activities.

Surety Bonds - The Insurance Company led the surety bond market in Brazil, with a 43.0% market share in 2008, according to SUSEP. We believe that the leadership of the Insurance Company and its ability to develop new products with respect to surety bond in a growing market place it in an advantageous position to capture the expected growth of the surety bond market in Brazil, which represented approximately 0.7% of the total insurance premiums in the Brazilian market in 2008, according to SUSEP.

Efficiency and Profitability

During more than two decades operating in the payroll deduction loan segment in Brazil we have acquired knowledge and experience relating to this niche market, enabling us to create a distinct business model, which we believe has produced higher profit margins than the average profit margins of our competitors. Our profitability is accompanied by low default rates, which were approximately 1.7% and 2.7% in the years ended 31 December 2007 and 2008, respectively, and approximately 1.8% and 3.0% for the nine months ended 30 September 2008 and 2009, respectively, taking into account loans classified at the highest risk level (Level "H"), according to criteria set forth by the Central Bank. Loans in arrears classified as Level H are kept in this category for 180 days; afterwards, if they are still in arrears, they are recorded as losses. We believe that the average commissions we pay to our banking brokers are lower than those of our competitors. In addition, we believe that our average operating costs associated with generating loan transactions are lower due to our business model based on diversification, growth and the large number of agreements with employers. This business model allows banking brokers, who comprise an important part of our sales force, to offer our products and services to various types of employers small, medium-sized and large entities at the municipal, state and federal levels. Finally, our technology platform enables us to adapt our business model to the technical specifications of each agreement we enter into, allowing us the opportunity to create productivity gains.

Strong Loan Origination Capacity

Our sales channels provide a well-structured platform for conducting sales and customer service throughout Brazil. Our main sales channel is our nationwide network of 607 banking brokers as of 30 September 2009. Our large number of agreements with employers is attractive to banking brokers because this allows them to gain access to a wide variety of potential customers, i.e., employees and INSS benefit recipients. We select our banking brokers based on their capacity to generate loans. We have developed campaigns to encourage sales and the loyalty of our banking brokers and created an operating tool for managing our relationships with our banking brokers, which we call the "Correspondent's Portal," with online information enabling us to fully manage and operate each banking broker's business portfolio. In addition, our franchises and owned stores provide an alternative sales channel with lower costs than those related to banking brokers and have demonstrated constant growth. Our owned stores and franchises were together responsible for approximately 54.4% of total sales of payroll deduction loans for the nine months ended 30 September 2009. We believe the franchise offers a competitive advantage by being innovative, low-cost and unique in the Brazilian market, which benefits from the following factors:

- exclusive relationships with franchisees for the offering of our financial products;

- standardization of services offered to customers across markets;
- high level of control over the quality of services and products offered by franchisees; and
- long-term commitment from franchisees.

Our franchises were responsible for approximately 32.7% of total sales of payroll deduction loans for the nine months ended 30 September 2009. In 2008 and 2009, the *Pequenas Empresas Grandes Negócios* magazine named our franchise as the best in the general and financial services category. As of 30 September 2009, we have 80 franchises in operation and a further four are due to become operational in 2010. In addition, we have a network of seven owned stores which act as regional branches to coordinate the brokers and franchises in their respective regions.

Large and Diverse Base of Agreements with Employers

Our strategy has always been to diversify and expand our base of agreements with employers at a national level. We are party to contracts which allow us to lend to the employees and benefit recipients of small, medium-sized and large public entities at the municipal, state and federal levels, including the INSS, the Brazilian army, the judiciary, the federal government, Infraero, the Brazilian postal service and the federal, state and municipal legislative branches. We believe our business model minimizes our exposure to the risk of default by employers by dispersing our payroll deduction lending operations across various regions of Brazil and a diverse range of public organizations. In addition, our management has acquired experience in negotiating agreements with municipal, state and federal government entities, and we believe that our operational and technological structure is well-positioned to serve public entities of various sizes and characteristics, efficiently and at low cost, factors which contribute to maintaining and broadening the diversification of our existing agreements with employers.

Innovation in the Payroll Deduction Loan Market and Experienced Management

Our management is experienced in, and has knowledge of, the Brazilian payroll deduction loan market. It is composed of members who have more than 15 years of experience, on average, in the consumer credit market. Our management's experience has allowed us to develop innovative products and projects related to consumer credit for more than two decades. We operate in this segment since the 1980s, by means of agreements entered into with public employee associations in the state of Paraná and the city of Curitiba, prior to the enactment of specific regulations related to payroll deduction loans. In 1998, in partnership with the city of Curitiba, we launched the Quality Card, the first project of its kind in Brazil, through which we made a "smart card" available to approximately 12,353 municipal employees as of 30 September 2009, providing them access to a wide range of services, including online approval of payroll deduction loans in real time. In addition, we are the first among our competitors to structure our relationships with our banking brokers as franchises. The experience of our management, its commitment to our interests and its ability to innovate are key to the success of our business. See "Business—Principal Business Activities—"Quality Card" and "MasterCard Electronic *Consignado*."

Institutional Support from the JMalucelli Group

The reputation and history of success of the JMalucelli Group, which is one of the most prominent business conglomerates in the state of Paraná, contribute to the credibility of our products and services. The JMalucelli Group is composed of 44 companies that operate mainly in the financial, insurance, construction media, communications and infrastructure industries, and also in other industries such as sports, tourism and agribusiness in Brazil. In addition to creating business opportunities, the group's national presence and reputation adds value to our business.

Our Strategy

We intend to continuously expand our payroll deduction loan portfolio, while retaining our profitability and taking advantage of new growth opportunities, by adopting the following measures:

- develop innovative payroll deduction loan products, such as credit lines for purchases of durable goods;

- prioritize the profitability of our payroll-deductible loan portfolio by operating through agreements that are more profitable;

- refinance existing loans assigned to us by competitor institutions for the prepayment of the original assigned loans, thus becoming the direct creditor and establishing relationships with the borrowers;

- develop and use advanced technologies, such as employer and customer internet portals, to support the growth of our payroll deduction loan portfolio, saving costs associated with the origination, approval, processing and granting of loans, while promoting a closer relationship with employers and customers;

- expand our portfolio of loans to small and middle-sized companies through the synergy with the Insurance Company and its more than 20,000 clients; and

- take advantage of infrastructure investments in projects relating to the FIFA World Cup in Brazil in 2014, the Olympic Games in Rio de Janeiro in 2016 and the pre-salt exploration in the oil fields located off the coast of Brazil to increase our leadership in the surety bond market and the reinsurance market.

With these goals in mind, we seek to implement the following strategies:

Prioritize the Profitability of our Credit Portfolio

While at the beginning of 2008 our competitive advantage in the payroll deduction loan market was based on our volume of operations, later in the same year we began to operate agreements on a more profitable basis. As a result, in June 2008, we restructured our payroll deduction loan portfolio, giving more priority to agreements which generated greater profit margins. We intend to continue to prioritize the profitability of our credit portfolio and promote organic growth of both our payroll deduction lending and loans to small and medium-sized companies.

Continue to Expand our Presence in the Credit Market for Small and Middle-Sized Companies

We intend to continue to expand our operations in the credit market for small and middle-sized companies. Through our experience in this segment, the broad range of potential clients we believe to exist in this segment and the synergies with the Insurance Company, we expect these transactions to represent an increasing share of our consolidated revenues. As of 30 September 2009, 7.0% of our loans to small and middle-sized companies originated from this synergy. We resumed our operations in this market in the beginning of 2007 and, as of 30 September 2009, our portfolio of loans to small and middle-market companies reached R$117.5 million, which represented 9.7% of our total credit portfolio. In addition, in 2008, we initiated our granting of receivables-backed loans in the form of overdraft facilities and working capital loan to companies with monthly revenues between R$50,000 and R$200,000. The receivables correspond to amounts due as a result of services provided or products sold by the borrowers.

Continue to Expand the Franchise as a Sales Channel

We intend to continue to expand our franchise channel in order to increase the number of banking brokers offering our financial products exclusively and subject to our quality control standards, while also allowing them to offer other non-financial products (including products which our bank does not provide) to our customers. Our goal is to rapidly expand our sales channels, with a focus on establishing relationships with new banking brokers as franchisees, to reach to locations where we do not yet operate, primarily Brazil's 897 small and medium-sized municipalities (those with populations between 17,000 and 300,000).

Maintain Low Funding Costs

We intend to improve the profit margins that we have generated since 1998 when we started focusing on the payroll deduction loan business. We have always aimed for high levels of profitability, in particular by maintaining low funding costs. To this end, we have diversified our sources of funding, using time deposits, loan assignments to other financial institutions, loan assignments to FIDCs, the issuance of debt securities outside of

Brazil and time deposits with a special guarantee (*depósito à prazo com garantia especial*) from the loan guarantee fund (*Fundo Garantidor de Crédito*) up to the limit of R$20 million per client. We believe that the proceeds from these debt securities will allow us to reduce our cost of funding. We expect that there will be an increase in time deposits due to an increase in our Bank's size and the better ratings we expect to obtain from the rating agencies as a result of our continued work towards the upgrading of our credit ratings. We also intend to maintain our operating costs at levels that we believe are lower than those of our competitors by investing in direct sales links to our customers and establishing franchises as an alternative sales channel with lower implementation and operating costs than those for traditional banking brokers. In addition, we intend to reduce our administrative expenses by investing in our technology platform.

Profit From Synergies Between Our Bank and the Insurance Company

We intend to continue to profit from the synergies between our Bank and the Insurance Company following our reacquisition of the Insurance Company. Surety bonds are essentially a financial product and, in its risk analysis, the Insurance Company takes advantage of the expertise that we have developed over two decades of experience in risk analysis for the lending market. We have identified important synergies between our Bank and the Insurance Company which stem from the similarities between surety bonding and granting loans. We believe that our Bank will take on an important role in managing the funds of the Insurance Company's customers, who, on receiving insurance, must present collateral guarantees, often by means of time deposits which may be made with our Bank. In addition, the Insurance Company's leadership in the Brazilian surety bond market and its relationships with its approximately 20,000-customer base, including companies from diverse industries such as highway concessions, energy, real estate development and heavy construction, present an opportunity to increase the number of our agreements with private companies to offer payroll deduction loans to their employees and also to increase our portfolio of loan transactions to small and middle-sized businesses. As of 30 September 2009, 7.0% of our loans to small and middle-sized companies originated from this synergy. In addition to benefitting directly from the relationship between the Insurance Company and its corporate customers, we can also take advantage of the fact that the Insurance Company has already carried out a credit risk evaluation of these corporate customers.

Expand Operations in the Consumer Credit Segment

In October 2008, we began operating in the storeowner consumer credit segment (*Crédito Direto ao Consumidor - Lojista*), or CDC Lojista, pursuant to which we finance purchases by consumers at individual stores and retail chains which have registered and been approved for the programme. We intend to expand our operations in this segment and increase the share of our total credit portfolio composed of loans to small and middle-sized companies and loans extended pursuant to the CDC Lojista programme.

Take Advantage of the Opportunities Related to Infrastructure Investments

We believe that new infrastructure investments in projects relating to the FIFA World Cup in Brazil in 2014, the Olympic Games in Rio de Janeiro in 2016 and the pre-salt exploration in the oil fields located off the coast of Brazil will lead to further growth in the surety bond market. We expect the Insurance Company, as a result of its experience and strong position in the market, to be able to benefit from these opportunities. We also intend to take advantage of this increase in the surety bond market by increasing our premium retention through JMalucelli Re.

Recent Events

On 30 July 2009, we signed a coinsurance deal with Caixa Seguradora S.A., whereby more than R$3 billion in financing from the Caixa Economica Federal S.A., or CEF, was guaranteed by the Insurance Company. This operation generated approximately R$3 million in premiums with average contracts lasting 24 months. As insurer, the Insurance Company guarantees to the CEF, the financial institution responsible for building public housing in connection with the "My House, My Life" federal housing program, the conclusion of contracted works. The program "My House My Life" is forecast to invest R$34 billion in the building of more than one million houses for low income families in Brazil.

Our History

We were founded on 25 April 1977 and acquired by the JMalucelli Group on 19 April 1979. Operating under the name Paraná Financeira, we offered personal credit and vehicle financing. In 1980, still operating under the name Paraná Financeira, we began to offer payroll deduction loans through agreements with the public employee associations of the state of Paraná and its capital, the city of Curitiba.

In 1989, Paraná Financeira was converted into Paraná Banco S.A. and, on 21 July 1989, we were authorized by the Central Bank to operate as a multiservice commercial bank, which allowed us to offer loans, financing and investment services.

Following the enactment of Brazilian legislation authorizing the granting of payroll deduction loans to government and private sector employees, we focused on expanding our operations in this market, and in 1995 we executed an agreement with the state of Paraná to offer payroll deduction loans to state public employees.

In 1998, in a partnership with the city of Curitiba, we launched the Quality Card (*Cartão Qualidade*). This project was the first of its kind in Brazil, and consists of a smart card issued to municipal civil servants which allows cardholders to access a number of banking and related services, including the online, real-time granting of payroll deduction loans, with repayment made through deductions from the borrower's paychecks. We have granted approximately 200,000 payroll deduction loans linked to the Quality Card since its launch. As of 30 September 2009, we had issued 12,353 cards.

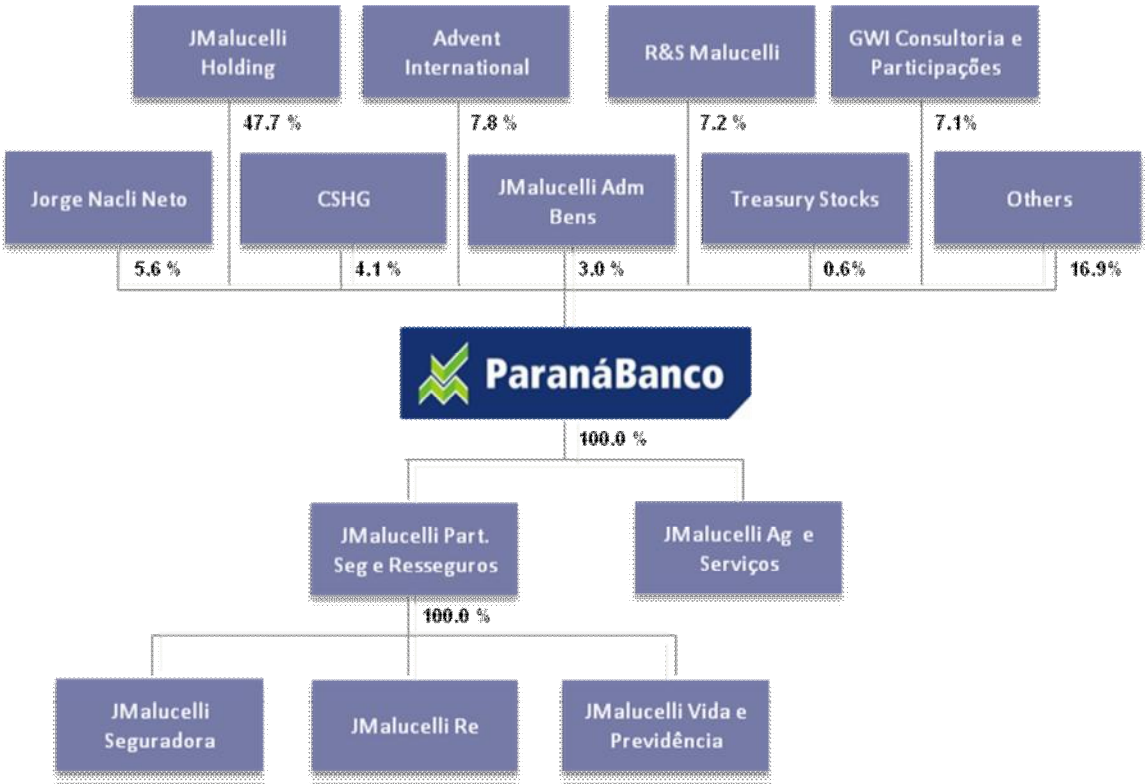
In September 2001 we launched the *Mastercard Electronic Consignado* credit card pursuant to which the minimum monthly payment on credit card balances is paid through payroll deductions and the unpaid balance is billed to borrowers, who have the option to make an additional supplementary payment above the minimum monthly payment.

In 2004 we were one of the first banks to offer payroll deduction loans to INSS benefit recipients under an agreement executed with the INSS, which covers approximately 19 million benefit recipients.

On 16 February 2007, we sold to our shareholders, in proportion to their equity interest in our capital stock, our total equity interest in the capital stock of JMalucelli DTVM, for its book value of R$2.6 million, which did not generate any losses or gains for our Bank.

In June 2007 we concluded our initial public offering through the issuance of approximately 38 million preferred shares. These shares are listed on the Level 1 (*Nível 1*) segment of the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo*), or the BOVESPA. In August 2008, we established a Level I American Depositary Receipt (ADR) programme in respect of our preferred shares.

The chart below shows our corporate structure as of 4 November 2009 (percentages refer to our total capital stock):



(1) Joel Malucelli holds 50.2% of the equity interest in JMalucelli Holding S.A. Each of Cristiano Malucelli, Alexandre Malucelli, Mônica Malucelli do Amaral, Paola Malucelli de Arruda, Julia Malucelli and Gabriel Malucelli holds 8.3% of the remaining equity interest in such company.
(2) On 4 December 2009, Advent International sold 4,266,700 of its preferred shares. As of the date hereof, we cannot accurately state the impact such sale will have on the other shareholdings.
(3) R&S Malucelli Administração e Participação Ltda. (7.2%) (each of Rosaldo Malucelli and Sara M. A. Malucelli holds 50% of R&S Malucelli Administração e Participação Ltda.).
(4) JMalucelli Administradora de Bens Ltda (2.9%) (Joel Malucelli holds 99.9%).

See "Principal Shareholders."

GENERAL DESCRIPTION OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Series of Notes, the applicable Final Terms.

Issuer:	Paraná Banco S.A.
Offering:	Notes will be offered outside the United States to non-U.S. persons in reliance of Regulation S. See "Selling Restrictions."
Programme Amount:	Up to U.S.$300,000,000 Medium Term Notes (or its equivalent as of the respective dates of issue in other currencies) in aggregate principal amount of Notes, subject to any duly authorized increase.
Arranger:	Queluz Securities LLP
Dealers:	Queluz Securities LLP, Jefferies & Company, Inc. and any other Dealer appointed in respect of the Programme or any particular Series under the Dealer Agreement.
Trustee:	The Bank of New York Mellon, London Branch
Principal Paying Agent:	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Registrar:	The Bank of New York Mellon, London Branch
London Paying Agent:	The Bank of New York Mellon, London Branch
Luxembourg Listing and Paying Agent:	The Bank of New York Mellon (Luxembourg) S.A.
Currency:	Notes will be denominated in U.S. dollars or such currencies as specified in the applicable Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Maturities:	The Notes will be issued with maturities of one month or more from their date of issue, subject to all legal and regulatory requirements applicable to the Issuer or the applicable currency. Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000, unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "Selling Restrictions."
Issue Price:	Notes may be issued at par or at a discount or premium to par, as agreed between us and the relevant Dealer or Dealers at the time of issue, as specified in the applicable Final Terms.

Interest:	The Notes may be issued (i) on a fixed-rate basis ("Fixed Rate Notes"), or (ii) on a fully discounted basis ("Zero Coupon Notes"), in each case as specified in the applicable Final Terms. Each Fixed Rate Note will bear interest from and including the Issue Date or the Interest Commencement Date, if different from the Issue Date, at the Fixed-Interest Rate(s) per annum specified in the applicable Final Terms, payable in arrears on the Fixed-Interest Payment Date(s) in each year and on the Maturity Date so specified if such Maturity Date does not fall on a Fixed-Interest Payment Date. Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Final Terms:	The Final Terms for each Series of Notes shall set forth, among other things, details of the Terms and Conditions of the Series of Notes being offered. 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.
Form of Notes:	Notes of each Series may be issued in bearer form and sold in transactions outside the United States in reliance on Regulation S ("Regulation S") under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Such Notes will initially be represented by a temporary global Note without coupons (the "Temporary Global Note"), which will be deposited on or prior to the Issue Date of such Notes with a common depositary for Euroclear Bank, S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global Note without coupons (the "Permanent Global Note") on or after the 40th day after the completion of the distribution of the relevant Series upon certification of non-U.S. beneficial ownership as set forth in the Indenture. Notwithstanding the foregoing, if indicated in the applicable Final Terms, Notes with a maturity of not more than one year may initially be represented by one or more Permanent Global Notes. In certain limited circumstances, interests in a Permanent Global Note will be exchangeable for definitive Notes in bearer form. Notes of each Series may also be issued in registered form and sold in transactions outside the United States in reliance on Regulation S under the Securities Act. Such Notes shall initially be issued in the form of a registered global Note without coupons (a "Registered Global Note"), which shall be deposited with a common depositary for Euroclear and Clearstream. On or prior to the 40th day after the completion of the distribution of such Series, beneficial interests in the Registered Global Note may be held only through Euroclear and Clearstream. In certain limited circumstances interests in a Registered Global Note will be exchangeable for definitive notes.
Denominations:	The Notes will be in such denominations as may be specified in the relevant Final Terms provided that Notes shall not be issued or transferred in denominations of less than Euro 50,000 (or its equivalent in another currency), subject to compliance with all applicable regulatory requirements.

Taxation:	All payments in respect of any Notes or Coupons (as defined in "Terms and Conditions of the Notes") will be made effectively free and clear of any present or future withholding for or an account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Brazil or by or within any political subdivision thereof or any authority therein having power to tax ("Taxes"). Under current Brazilian law, payments of interest and original issue discount made by us in respect of the Notes are generally subject to a Brazilian withholding tax imposed at a rate of between 15% and 25%. Subject to certain exceptions set forth under "Terms and Conditions of the Notes—Taxation/Additional Amounts," we will pay such additional amounts ("Additional Amounts") in respect of Taxes as will result in the payment to holders of the Notes and Coupons of the amounts that would otherwise have been receivable by them in respect of payments on such Notes and Coupons in the absence of such withholding or deduction. We believe and intend to take the position for Brazilian tax purposes that as long as the principal paying agent is organized under the laws of Japan and payment to the principal paying agent discharges our obligations to make payments under the Notes, interest (including original discount) with respect to the Notes will be subject to Brazilian withholding tax at a rate of 12.5% under the tax treaty in effect between Brazil and Japan. "See Taxation—Brazilian Taxation."
Status of the Notes:	The Notes will constitute our direct, unsecured and unconditional obligations, and will at all times rank at least *pari passu* in priority of payment with all our other present and future unsecured and unsubordinated obligations, save only for such obligations as may be preferred by mandatory provisions of applicable law.
Covenants:	The Notes will contain covenants that limit, among other activities, changes of control of the Issuer, mergers, consolidations and sales of substantially all of the assets of the Issuer, the incurrence of liens, transactions with affiliates and restrictions on the ability of subsidiaries to declare dividends.
Negative Pledge:	The Notes will contain a negative pledge restricting the ability of the Issuer to incur liens on its assets, subject to certain permitted liens, such as liens existing on the date of the Indenture and liens imposed by law.
Cross Default:	The principal of any Notes issued under the Programme and interest accrued thereon may become immediately due and payable if, among other conditions, the Issuer defaults under any instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness of the Issuer, whether such indebtedness now exists or shall be created hereafter, resulting in the acceleration of such indebtedness, or any default occurs in the payment of such indebtedness (and after the expiration of any applicable grace periods and as long as such default is not being contested in good faith by the Issuer), if the total of all such indebtedness which has been so accelerated or with respect to which there has been such a default in payment shall exceed U.S.$1,000,000 (or the equivalent thereof in another currency).
Early Redemption:	The Notes will not be subject to early redemption at the option of the Issuer or the holders unless specified in the applicable Final Terms.

Tax Redemption:	Each Series of Notes will be subject to redemption, at the option of the Issuer, in whole, but not in part, at 100% of the principal amount thereof, plus accrued interest and any Additional Amounts payable with respect thereto, if, subject to certain conditions, (i) the Issuer has or would become obligated to pay Additional Amounts payable with respect to such Notes in excess of the Additional Amounts that the Issuer would be obliged to pay if interest payments in respect of such Notes were subject to deduction or withholding at a rate of 15% (determined without regard to any interest, fees, penalties or other additions to tax), as a result of any change in, or amendment to, the laws or regulations of Brazil, or any change in the application, administration or official interpretation of such laws or regulations (including administrative rulings or the holdings of a court of competent jurisdiction), which change or amendment occurs after the Issue Date of such Series and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.
Listing:	Application has been made to list the Notes to be issued under the Programme on the Luxembourg Stock Exchange (Euro MTF). However, Notes may be issued under the Programme which will not be listed on the Luxembourg Stock Exchange (Euro MTF) (or any other stock exchange). The relevant Final Terms will specify whether or not Notes of the relevant Series will be listed on the Luxembourg Stock Exchange (Euro MTF) or any other stock exchange as the Issuer of the relevant Dealers may agree.
Further Issuances:	We reserve 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 Series with, and increase the aggregate principal amount of, such Series of Notes.
Clearing Systems:	Euroclear and Clearstream, or such other clearing systems specified in the applicable Final Terms.
Governing Law:	The Notes will be governed by and construed in accordance with the laws of the State of New York, United States of America.
Selling Restrictions:	Those pertaining to the laws of the United States, the United Kingdom, Japan, Hong Kong, Singapore, the European Economic Area and Brazil and such other restrictions as may be required in connection with any particular Series of Notes.
Use of Proceeds:	The net proceeds from the sale of each Series of Notes issued under the Programme will be used by Paraná Banco for general corporate purposes or as set forth in the applicable Final Terms applicable to each Series.

Risk Factors

For a discussion of certain matters that should be considered in connection with an investment in the Notes, see “Risk Factors.”

SUMMARY FINANCIAL INFORMATION

The summary consolidated financial information as of and for the nine months ended 30 September 2008 and 2009 contained herein derives from our unaudited consolidated financial statements prepared in accordance with Brazilian GAAP as of and for the nine months ended 30 September 2008 and 2009 included elsewhere in this Offering Circular.

The summary of our consolidated balance sheets and statements of income as of and for the years ended 31 December 2006, 2007 and 2008 derives from our audited consolidated financial statements prepared in accordance with Brazilian GAAP as of and for the years ended 31 December 2006, 2007 and 2008 included elsewhere in this Offering Circular.

Because we are a financial institution, we are also subject to the rules of the CMN and the Central Bank regarding the preparation of both our non-consolidated and consolidated financial statements. Our non-consolidated financial statements are prepared based on Brazilian Corporations Law accounting practices, together with rules and guidances from the CMN and the Central Bank, and IBRACON, and are used as a basis for payment of dividends. The Central Bank rules also require the consolidation of the financial information of "financial conglomerates." A financial conglomerate is defined as a "group of financial entities directly connected to each other or not by means of stock holdings or actual operating control, characterized by common administration or management, or by market operation under the same trademark or name," as set forth by Rule No. 21 of the Accounting Plan of Institutions of the National Finance System. Our non-consolidated financial statements and the financial statements of the financial conglomerate to which we belong are used for the calculation of various operating limits required by the Central Bank. As a result of our registration as a publicly held company, in addition to the CMN and Central Bank rules, we are subject to the CVM rules regarding the disclosure and publication of financial information. Therefore, we keep our accounting records and financial statements in accordance with the rules of the CMN, the Central Bank and the CVM.

The CVM rules are materially different from the Central Bank rules in several respects, particularly with respect to the CVM requirements for preparation of consolidated financial information. According to the CVM rules, assets, liabilities, revenues and expenses of controlled companies, including non-financial subsidiaries, and certain FIDCs should be presented on a consolidated basis, rather than (1) in the line item "investments," in the case of subsidiaries, and in the line item "securities," in the case of FIDCs, on the balance sheet; and (2) in the line item "equity pick-up," in the case of subsidiaries, and in the line item "securities," in the case of FIDCs, on the statement of income. The consolidation criteria issued by the Central Bank for non-financial subsidiaries and FIDCs differ from the CVM rules described above. Total assets, total liabilities, shareholders' equity and net income presented in the financial statements of our bank and of our financial conglomerate differ from those presented in the consolidated financial statements prepared in accordance with rules and guidances of the CVM because of the elimination of unrealized profits and reinstatement of assets and liabilities relating to loan assignments of our bank to Paraná Banco I FIDC and to Paraná Banco II FIDC. For additional information, please see "Presentation of Financial and Other Information." The table below presents a comparison among the non-consolidated financial statements of our bank and the consolidated financial statements of our bank and subsidiaries, prepared in accordance with CVM rules:

	Year ended 31 December,						Nine months ended 30 September,	
	2006		2007		2008		2009	
	(in R$ millions)							
	Net income	Shareholders' equity	Net income	Shareholders' equity	Net income	Shareholders' equity	Net income	Shareholders' equity
Non-consolidated financial statements of Paraná Banco (according to the CVM and the Central Bank rules)(1)	49.4	158.9	63.9	749.6	75.5	806.6	77.6	811.1
Income eliminated in the process of consolidation	(5.9)	(5.9)	3.9	(2.5)	5.6	3.1	(2.4)	0.3
Consolidated financial statements(2)	43.6	153.0	67.8	747.1	84.1	809.7	75.2	811.4

(1) Pursuant to accounting rules of the CVM and the Central Bank our non-consolidated financial statements do not present differences in shareholders' equity and in net income.

(2) Pursuant to Brazilian GAAP and rules and regulations issued by the CVM related to consolidation.

You should read and analyze the information below in conjunction with our consolidated financial statements and related notes included elsewhere in this Offering Circular and with the sections "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Solely for the convenience of the reader, *reais* amounts as of and for (i) the nine months ended 30 September 2009 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, as reported by the Central Bank, as of 30 September 2009 of R$1.7781 and (ii) the year ended 31 December 2008 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, as reported by the Central Bank, as of 31 December 2008 of R$2.3370 to U.S.$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amount represents, or could have been or could be converted into, U.S. dollars at this rate or at any other rate.

Consolidated Statement of Income Information (in millions)	Year ended 31 December,				Nine months ended 30 September,		
	2006	2007	2008	2008	2008	2009	2009
		(R$)		(U.S.$)	(R$)		(U.S.$)
Loans	212.4	275.0	356.3	152.5	251.3	204.3	114.9
Interest (yield on loans)	179.8	232.1	320.0	137.0	244.6	203.2	114.3
Income on Loan assignments	32.6	43.0	36.3	15.5	6.7	1.1	0.6
Securities	8.4	43.8	51.8	22.2	36.7	47.8	26.9
Income from financial operations	**220.8**	**318.8**	**408.1**	**174.6**	**288.0**	**252.1**	**141.8**
Time deposits, money market repurchase commitments and interbank deposits	(57.3)	(86.4)	(146.9)	(62.9)	(100.8)	(49.2)	(27.7)
Derivative financial instruments	(8.8)	(14.2)	8.7	3.7	0.2	(20.1)	(11.3)
Allowance for doubtful loans	(22.9)	(36.4)	(37.2)	(15.9)	(26.8)	(40.1)	(22.6)
Expenses from financial operations	**(89.0)**	**(137.0)**	**(175.4)**	**(75.1)**	**(127.4)**	**(109.4)**	**(61.6)**
Net income from financial operations	**131.8**	**181.8**	**232.7**	**99.6**	**160.6**	**142.7**	**80.2**
Service fee income	12.4	10.0	58.0	24.8	37.6	48.7	27.4
Personnel expenses	(7.9)	(11.0)	(28.5)	(12.1)	(20.0)	(21.4)	(12.0)
Directors' fees	(0.4)	(1.2)	(3.4)	(1.5)	(2.3)	(2.3)	(1.3)
Other administrative expenses	(67.2)	(96.6)	(156.9)	(67.1)	(96.4)	(91.8)	(51.6)
Transactional taxes	(10.8)	(15.3)	(16.6)	(7.1)	(12.0)	(10.4)	(5.8)
Equity share in earnings of associated company	1.4	3.9	-	-	-	-	-
Other operating income	6.9	26.8	274.5	117.5	165.3	277.2	155.9
Other operating expenses	(4.6)	(12.3)	(253.8)	(108.6)	(175.2)	(278.4)	(156.6)
Other operating income (expenses)	**(70.2)**	**(95.6)**	**(126.7)**	**(54.2)**	**(102.9)**	**(78.4)**	**(44.1)**
Operating income	**61.6**	**86.2**	**105.9**	**45.3**	**57.7**	**64.3**	**36.2**
Net non-operating income (expenses)	**(0.4)**	**-**	-	**-**	-	**1.2**	**0.7**
Income before taxes on income	**61.2**	**86.2**	**105.9**	**45.3**	**57.7**	**65.5**	**36.8**
Current income tax	(13.3)	(20.1)	(17.8)	(7.6)	(14.8)	(17.3)	(9.7)
Current social contribution tax	(4.8)	(7.6)	(8.9)	(3.8)	(6.5)	(10.5)	(5.9)
Deferred income and social contribution taxes	0.9	11..1	9.0	3.9	3.5	6.6	3.7
Income and social contribution taxes	**(17.2)**	**(16.6)**	**(17.7)**	**(7.6)**	**(17.8)**	**(21.2)**	**(12.0)**
Profit sharing	(0.4)	(1.8)	(4.1)	(1.8)	(1.9)	(0.8)	(0.5)
Reversal of Interest on Own Capital	-	-	-	-	30.0	31.8	17.9
Net income	**43.6**	**67.8**	**84.1**	**36.0**	**68.1**	**75.2**	**24.4**

Consolidated Balance Sheet Information (in millions)	As of 31 December,				As of 30 September,		
	2006	2007	2008	2008	2008	2009	2009
		(R$)		(U.S.$)		(R$)	(U.S.$)
Assets							
Cash and cash equivalents	7.9	0.6	3.9	1.7	69.9	3.4	1.9
Interbank funds invested	73.8	319.6	86.5	37.0	6.8	104.8	59.0
Securities	48.0	9.3	129.4	55.4	150.7	338.7	190.5
Interbank accounts	-	-	-	-	0.7	0.4	0.2
Loans	347.4	637.3	442.0	189.1	623.5	554.8	312.0
Other receivables	9.2	12.8	137.0	58.6	96.6	115.3	64.8
Other assets	22.9	39.8	30.6	13.1	43.7	265.6	149.4
Current assets	**509.2**	**1,019.4**	**829.4**	**354.9**	**991.9**	**1,383.0**	**777.8**
Interbank funds invested	-	-	0.1	0.04	-	-	-
Securities	-	67.3	380.5	162.8	243.6	326.7	183.7
Loans	275.8	534.8	619.2	265.0	796.9	592.3	333.1
Other receivables	9.3	13.8	46.5	19.9	38.1	50.2	28.3
Other assets	17.1	33.8	38.9	16.7	51.9	248.9	140.0
Non–current assets	**302.2**	**649.7**	**1,085.2**	**464.4**	**1,130.6**	**1,218.1**	**685.1**
Investments	9.6	51.4	1.6	0.7	1.6	1.3	0.8
Fixed assets for own use	2.5	3.5	5.5	2.4	5.2	5.6	3.1
Deferred charges	0.3	0.4	56.0	24.0	56.7	53.8	30.3
Permanent assets	**12.4**	**55.3**	**63.2**	**27.0**	**63.5**	**60.7**	**34.2**
Total assets	**823.8**	**1,724.4**	**1,977.8**	**846.3**	**2,186.1**	**2,661.9**	**1,497.0**
Liabilities							
Deposits	229.1	490.8	306.8	131.3	539.9	569.6	320.4
Money market repurchase commitments	22.4	1.4	6.0	2.6	15.5	14.0	7.9
Acceptances and endorsements	46.2	47.5	13.3	5.7	51.2	-	-
Interbank accounts	-	-	-	-	0.3	0.8	0.5
Derivative financial instruments	5.0	9.8	-	-	5.6	-	-
Other liabilities	52.9	114.5	228.1	97.6	184.9	531.2	298.8
Current liabilities	**355.6**	**664.0**	**554.2**	**237.2**	**797.4**	**1,115.7**	**627.5**
Deposits	247.3	296.3	462.7	198.0	456.2	365.8	205.7
Acceptances and endorsements	56.2	9.4	84.3	36.1	69.2	63.4	35.7
Derivative financial instruments	1.2	-	-	-	-	7.5	4.2
Other liabilities	10.5	7.6	66.8	28.6	49.5	298.1	167.6
Non-current liabilities	**315.2**	**313.3**	**613.8**	**262.7**	**574.9**	**734.8**	**413.3**
Deferred income	-	-	-	-	2.8	-	-
Shareholders' equity							
Capital							
Domestic	100.0	280.6	569.4	243.7	424.4	680.2	382.6
Foreign	-	419.3	194.4	83.2	339.5	83.6	47.0
Capital increase	-	-	-	-	-	-	-
Capital reserve	0.1	0.1	0.3	0.1	0.3	0.3	0.1
Revenue reserves	52.9	57.5	63.5	27.2	41.6	41.3	23.2
Retained earnings	-	-	-	-	17.3	14.5	8.1
Shares held in Treasury	-	(10.4)	(17.8)	(7.6)	(12.0)	(8.5)	(4.8)
Total	**153.0**	**747.1**	**809.7**	**346.5**	**810.9**	**811.4**	**456.3**
Total liabilities and shareholders' equity	**823.8**	**1,724.4**	**1,977.8**	**846.3**	**2,186.1**	**2,661.9**	**1,497.0**

RISK FACTORS

The following section describes some but not all of the risks associated with an investment in the Notes. Before making any investment decision, prospective purchasers of the Notes should carefully read this Offering Circular in its entirety and should consider carefully, in light of their own financial circumstances and investment objectives, all the information set forth herein and, in particular, certain matters with respect to debt issued by Brazilian companies, including, without limitation, those set forth below. Prospective purchasers of the Notes should further note that the risks factors described below are not the only risks that we consider material or of which we are currently aware, and any of these risks could have similar effects to those set forth below

The order of presentation of the risk factors does not indicate the likelihood of these risks actually occurring or the scope of any potential impairment these risks might cause to the Issuer's business in the event they materialize. The circumstances set out below may occur individually or cumulatively.

RISKS RELATING TO BRAZIL

The Brazilian federal government has exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions, as well as the Federal Government's intervention in those areas, could adversely affect our activities.

The Brazilian economy has been characterized by frequent, and sometimes significant, intervention by the Brazilian government, which often changes monetary, lending, tax and other policies.

The measures adopted in the past by the Brazilian government include, among others, wage and price control, currency depreciations and controls over capital flow. We have no control over, and cannot predict what measures or policies the Brazilian federal government may take in the future. Our business, financial situation, results of operations, outlook, and the price of our Notes, may be adversely affected by changes in public policy that involve or affect factors such as:

- variation in exchange rates;
- inflation;
- interest rates;
- monetary policies;
- consumer credit policies, liquidity of the domestic financial, capital and lending markets;
- tax policy and regime;
- political instability; and
- political, social and economic measures that may affect Brazil.

The uncertainty as to the implementation of changes by the Brazilian Federal Government in the policies or regulations that may affect these or other factors in the future may contribute to the economic uncertainty in Brazil and to raise the volatility in the Brazilian securities market. The upcoming presidential elections in October 2010 and political and economic transition in Brazil may result in policy changes that may adversely affect our business and financial results. We cannot predict whether Brazilian governmental actions will result in adverse consequences to the Brazilian economy, our business, results of operations or financial condition or prospects, or impact our ability to satisfy payment obligations under the Notes.

Developments and the perception of risk in other countries, especially emerging market countries and the United States, may adversely affect the market price of Brazilian securities.

Investors in emerging markets such as Brazil should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging market economies, such as the economy of Brazil, are subject to rapid change and that the information set out herein may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

In addition, the market price of securities of Brazilian issuers is influenced, in varying degrees, by economic and market conditions in other countries, especially other Latin American and emerging market countries and the United States. Investors' reactions to occurrences in these other countries may have an adverse effect on the market value of securities of Brazilian companies. As a result, in some periods Brazil has experienced a significant outflow of U.S. dollars and Brazilian companies have faced higher costs for raising funds, both domestically and abroad, and have been prevented from accessing international capital markets. We cannot assure investors that international capital markets will remain open to Brazilian companies, or that prevailing interest rates in these markets will be advantageous to our ability to obtain additional financing on acceptable terms or at all. As a consequence, the market value of the Notes may be adversely affected by these or other events outside Brazil.

Inflation, and the Brazilian government's measures to control inflation, may contribute to economic uncertainty in Brazil, adversely affecting our operating results.

In the past, Brazil experienced high rates of inflation. More recently, inflation rates were 12.4% in 2004, 1.2% in 2005, 3.8% in 2006, 7.7% in 2007 and 9.8% in 2008 and the deflation rate was 1.6% in the nine months ended September 30, 2009, according to the IGP-M. The Brazilian government's actions to control inflation, together with speculation regarding future inflation-related policies, have contributed to economic uncertainty and heightened the volatility of the Brazilian capital markets. Future measures taken by the Brazilian government, including interest rate adjustments, intervention in the foreign exchange market and actions to adjust or fix the value of the *real* may have a material adverse effect on the Brazilian economy and our business. If Brazil experiences substantial inflation in the future, our costs may increase, and our operating and net margins may decrease.

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, thereby adversely affecting Brazil's economy as a whole. If Brazil experiences high inflation in the future, we may not be able to comply with our obligations or gain access to the international financial markets, which could have an adverse effect on us.

Exchange rate instability may adversely affect us.

The Brazilian currency has been devalued periodically in relation to the U.S. dollar and other foreign currencies during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, the *real* depreciated against the U.S. dollar by 18.7% in 2001 and 52.3% in 2002. The *real* then appreciated by 9.9%, 16.8%, 4.9% and 17.2% against the U.S. dollar in 2004, 2005, 2006 and 2007, respectively. In 2008, mainly as a result of the negative impact of the global financial crisis on the Brazilian economy, the *real* depreciated by 32.2% against the U.S. dollar. The U.S. dollar/*real* exchange rate on December 31, 2008 was R$2.3370 per U.S.$1.00. During the nine months ended September 30, 2009, the *real* stabilized and then commenced appreciating against the U.S. dollar and, as of September 30, 2009, the U.S. dollar/*real* exchange rate was R$1.7781 per U.S.$1.00. There can be no assurance that the *real* will not depreciate against the U.S. dollar again.

Depreciations of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil and lead to increases in interest rates, which may negatively affect Brazil's economy as a whole, as well as the market price of our securities.

RISKS RELATING TO OUR BUSINESS AND TO THE BRAZILIAN BANKING INDUSTRY

The payroll deduction loan business, our main activity, is subject to changes in the laws and regulations or their interpretation by the courts or policies of public entities related to paycheck deduction.

Payment of payroll deduction loans is deducted directly from the employee's paycheck or INSS benefit recipient's benefit check. We are therefore exposed to the credit risk of the entity to which our borrowers are connected, which reduces our credit risk and allows us to grant loans at lower rates than those charged for other consumer finance products offered by retail banks in Brazil. The mechanism of deduction from paychecks and benefit checks is regulated by several laws and regulations at the federal, state and municipal levels, which set forth deduction limits and the irrevocability of the authorization given by a public employee or INSS benefit recipient to deduct payments from their checks for the repayment of the loan.

Any new law or regulation, or the change, revocation or new interpretation of existing laws or regulations that results in a prohibition on or restriction of our ability to make these direct deductions could increase the interest rates on our consumer loans, increasing our loan portfolio's risk profile and leading to a higher percentage of losses in our loans. We cannot assure you that the laws and regulations related to direct deductions from the employee's paycheck or the INSS benefit recipient's benefits check will not be changed or revoked.

In June 2004, the Brazilian Superior Court of Justice determined that the irrevocable status of the authorization given to a bank by a public employee from the state of Rio Grande do Sul to deduct loan repayments directly from his paycheck was abusive and, therefore, null and invalid. Although the same Brazilian Superior Court of Justice made a later determination in June 2005, recognizing that the irrevocability of authorizations to deduct loan repayments is legal and valid, we cannot assure you that this decision will be followed by other courts.

The granting of payroll deduction loans to public employees and INSS benefit recipients depends upon the authorization of the public entities to which these people are connected. The Brazilian government or other government entities may change the regulations for these authorizations. Other government agencies could enact regulations to restrict or prevent us from offering payroll deduction loans to their employees. A significant portion of our loan portfolio is made up of payroll deduction loans to public employees and INSS benefit recipients, and any change or new laws or regulations that restrict or prevent us from granting this type of loan could materially and adversely affect us.

The increasingly competitive banking environment in Brazil and growing competition in the payroll deduction loan segment could adversely affect us.

The financial and banking services market in Brazil is highly competitive. We face significant competition from other Brazilian and international banks, both state-owned and private. The Brazilian banking industry experienced a period of consolidation in the 1990s, when various Brazilian banks were wound-up and various important government-owned and private banks were sold. Competition increased significantly during that period, when foreign banks entered the Brazilian market by acquiring Brazilian financial institutions. The privatization of government-owned banks also caused the Brazilian banking market and the market for other financial services to become more competitive. Even though Brazilian law limits foreign banks' entry into the Brazilian market, the presence of foreign banks in Brazil, including those who may have more resources than we have, has grown, and so has the competition in the banking industry and the markets for specific products, such as the payroll deduction loans.

Historically, our main competitors in the payroll deduction loan segment have been specialized medium-sized banks. Recently, we have experienced an increase in competition from large domestic retail banks. We cannot assure you that we will be able to successfully compete against other banks and financial institutions, especially against large financial institutions, both Brazilian and foreign, that have more resources than we have and an extensive network of branch offices. For instance, in 2007, Banco Bradesco S.A., one of the largest domestic retail banks, announced the acquisition of Banco BMC S.A., a medium-sized bank focused on the payroll deduction loan segment, and one of our competitors, to strengthen its position in this loan segment. This acquisition may be followed by other large retail banks and may represent the beginning of a consolidation process in the Brazilian payroll deduction loan segment, which may significantly change the current competitive scenario.

The increase in competition may adversely affect us by, among other factors, limiting our ability to increase our customer base and expand our operations, resulting in a reduction in our profit margin and increased competition for business opportunities.

We depend upon our banking brokers and franchisees to generate payroll deduction loans.

We depend upon our banking brokers and franchisees to generate high volumes of payroll deduction loans. Because there are several banks that also depend on banking brokers to obtain customers in Brazil and because there are few barriers to the entry of new competitors in the payroll deduction loan business, some of our banking brokers may generate payroll deduction loans for other banks and, consequently, our access to certain markets may be reduced or we may have to increase commissions to maintain our banking brokers. These factors may adversely affect us.

Payroll deduction loans carried out by banking brokers are subject to risks that may lead us to losses.

Banking brokers are remunerated by means of commissions paid based on new payroll deduction loan agreements entered into by us. Banking brokers may engage in fraudulent actions to generate loans in order to receive commissions. In these cases, borrowers have not consented to the loan and, accordingly, we may be obligated to indemnify them for any fees or interest they have paid to us in connection with this loan. In the past, we experienced some situations where banking brokers engaged in fraudulent actions. There is no assurance that our control mechanisms will be sufficient to detect and avoid fraud. In the event of this type of fraudulent activity, our reputation in the markets where we operate would be negatively affected. In addition, if we become required to indemnify individuals for fees and interest paid as a result of these fraudulent activities, our financial condition may be adversely affected.

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

The Central Bank periodically establishes the basic interest rate, the Special Clearing and Settlement System (*Sistema Especial de Liquidação e Custódia*), or the SELIC rate, which is the base interest rate for the Brazilian banking system and an important policy instrument for the achievement of inflation targets. In recent years, the SELIC rate has fluctuated, reaching approximately 45% per annum in March 1999, and falling to 15.75% per annum as of 17 January 2001. The Central Bank has frequently adjusted the SELIC rate in response to economic uncertainties and to achieve the goals of the Brazilian government's economic policies. For example, in response to economic developments, the Central Bank reduced the SELIC rate during the second half of 2003 and the first half of 2004. As of December 31, 2006, 2007 and 2008, the SELIC rate was 13.25%, 11.25% and 13.75%, respectively. The Central Bank has lowered the SELIC rate several times during 2009 and, as of September 30, 2009, the SELIC rate was 8.75%.

Increases in the SELIC rate could adversely affect us by reducing demand for credit and increasing our cost of funding. Decreases in the SELIC rate could also adversely affect us, to a lesser extent, by decreasing the interest income we earn on our interest-earning assets and lowering margins, among other things.

Changes in existing banking laws and regulations or in the manner in which they are enforced or interpreted, or the imposition of new laws and regulations may negatively affect us.

Brazilian banks, including us, are subject to extensive and continuous regulatory review by the Central Bank. We have no control over government regulations, which govern all facets of our operations, including regulations that impose:

- minimum capital requirements;

- compulsory deposit requirements;
- lending limits and other credit restrictions;
- accounting and statistical requirements;
- changes in the minimum limits of funds that have to be allocated to savings accounts for the real estate and rural sectors; and
- control mechanisms to prevent money laundering.

The regulatory structure governing Brazilian financial institutions is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change, and new laws or regulations could be adopted. These changes could materially and adversely affect us.

The Brazilian government has historically promulgated regulations affecting banks in its efforts to implement economic policy. These regulations have been used by the Brazilian government to control the availability of credit and reduce or increase consumption in Brazil. The Central Bank constantly changes the level of banking reserves and the compulsory deposit that financial institutions in Brazil are obligated to keep and collect for the Central Bank. There can be no assurance that the Central Bank will not increase or impose new reserve or compulsory deposit requirements. In addition, Brazilian banks are obligated to establish their capital adequacy based on shareholders' equity, adjusting assets according to the risk, pursuant to methodology developed by the Basel Accord and implemented in Brazil by Resolution No. 2,099 of the CMN. Capital adequacy index required of all Brazilian banks is currently 11% of risk-weighted assets. Central Bank Communication No. 19,028, of 29 October 2009 establishes the guidelines for the implementation of the Basel II Accord, which will be implemented by 2013, beginning in 2010 with market risk.

Currently, the compulsory deposits that Brazilian banks are required to maintain with the Central Bank are: 42% for demand deposits; 13.5% for time deposits, in the form of Brazilian government securities; 20% for savings accounts; and 5%, 10% and 4%, respectively, for additional reserves required on demand deposits, savings accounts and time deposits. For further information on reserves required under Brazilian law, please refer to "The Brazilian Financial System and Banking Regulation – Reserves and other requirements".

We could be materially and adversely affected by changes in existing banking laws and regulations because (1) reserves and compulsory deposits reduce our liquidity and ability to grant loans and other investments, and (2) monies held as compulsory deposits by the Central Bank generally do not yield the same return as our other investments and deposits, because:

- a portion of the compulsory deposits do not bear interest;
- a portion of the compulsory deposits must be held in Brazilian federal government securities; and
- a portion of the compulsory deposits must be used to make loans to support the housing and the agricultural sectors.

We were not required to make and did not make any compulsory deposits as of 31 December 2008, because the amounts of our time deposits and demand deposits were below the thresholds established by the applicable banking regulations. For more information on compulsory deposits, see "Regulation of the Brazilian Banking and Insurance Industries—Compulsory Deposits."

Additionally, as part of its ongoing regulatory function, the Central Bank periodically conducts inspections of Brazilian financial institutions authorized to operate by the Central Bank to assess these institutions' ongoing compliance with Central Bank regulations. The Central Bank then reports its recommendations and observations to the financial institutions. If we receive reports indicating that we are not adequately complying with the regulations of the Central Bank or in case we cannot satisfactorily implement recommendations made by the Central Bank, we, as the other financial institutions, may be subject to penalties, which may adversely affect our operations. See “Business—Legal and Administrative Contingencies.”

Limits on the maximum interest rates we are allowed to charge could adversely affect our results of operations.

We are subject to limits on the interest rates we charge on our payroll deduction loans, which are contained in our agreements with borrower’s employers and the INSS. We cannot assure you that these entities will maintain the maximum interest rates we may charge at current levels. Following the Brazilian government’s decision to reduce the SELIC rate from 14.75% per annum in August 2006 to 13.75% per annum in October 2006, the INSS reduced the maximum interest rate chargeable to its benefit recipients to 2.72% per month in March 2007, or approximately 38% per annum. In January 2008 the INSS reduced the maximum interest rate for payroll deduction loans to INSS benefit recipients to 2.5% per month (or 3.5% per month in the case of payroll deduction loans to these recipients through credit cards). In January 2009 the INSS further reduced the maximum interest rate for payroll deduction loans to INSS benefit recipients to 2.43% per month. In the event any of these entities decides to further reduce the maximum interest rates chargeable on our payroll deduction loans, we could be adversely affected.

In addition, in June 2008, the Brazilian Superior Court of Justice determined in two lawsuits that banks are prohibited from charging abusive interest rates from their customers, i.e., interest rates which are excessively above market rates for similar transactions. The two lawsuits involved consumer finance loans in which the respective lenders charged interest rates equal to two to three times the then prevailing interest rates for similar transactions. We can neither predict whether these decisions will be later overturned nor assure you that these decisions will be followed by other courts.

Any decrease in the credit quality of our borrowers’ employers or public sector entities as well as any failures in the internal data processing system of these employers and public sector entities could result in increased losses on our payroll deduction loan portfolio.

Because payments on our payroll deduction loans are deducted directly from the employee’s paychecks or INSS benefit recipient’s checks, our credit risk exposure is essentially transferred from our borrowers to their employer (or the INSS, as the case may be). Any decrease in the credit quality of our borrowers’ employers or any failure or change in their internal data processing systems, could delay or reduce the deduction of loan payments from our borrowers’ checks. In particular, a significant economic downturn in Brazil could adversely affect the credit quality of both private and public sector entities, resulting in increased losses on our payroll deduction loan portfolio, which could have a material adverse effect on us.

Our ability to collect payments arising from transactions in payroll deduction loans depends on the efficiency and validity of the agreements with employers and public institutions.

Payments on our payroll deduction loans are deducted directly from the employee’s paychecks or INSS benefit recipient’s checks. In the event that the agreements entered into with the employers of the borrowers or public institutions are terminated, the deduction of loan payments from our borrower’s checks may be cancelled. The following circumstances can also result in the incurrence of losses on our payroll deduction loan portfolio:

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

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

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

In addition, the percentage of delinquency rates in our total credit portfolio has increased in recent periods due primarily to the constant growth of our operations. Because of this constant growth, delinquency rates as a percentage of total credits may not be representative of, or comparable to, ratios of a seasoned credit portfolio. The actual delinquency rates of our credit portfolio as a percentage of total credits could be materially higher than the current ratios presented in this offering circular as our portfolio becomes seasoned and some of our more recently originated loans become due.

The disruptions recently experienced in the international capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and could give rise to a decline in credit quality, increases in defaults and non-performing debt and could adversely affect our business, results of operations and financial condition.

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

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

It is difficult to predict how long these conditions will persist and how our assets and operations will be adversely affected. Furthermore, it is not possible to predict what structural and/or regulatory changes may result from the current market conditions or whether such changes may be materially adverse to us.

While there has been some recovery in market conditions in 2009, if market conditions and circumstances do not experience a sustained recovery or further deteriorate, this may lead to a decline in credit quality and increases in defaults and non-performing debt, among other things, which may have an adverse effect on our business, results of operations and financial condition.

Mismatches between our loan portfolio and our sources of funds could adversely affect us and our capacity to expand our loan business.

We are exposed to interest rate and maturity mismatches between our loans and sources of funding. Most of our loan portfolio is made up of fixed interest rate loans, and the yield from our loans depends on our ability to balance our cost of funding with the interest rates we charge to our borrowers. An increase in market interest rates in Brazil could increase our cost of funding, especially the cost of time deposits, and could reduce the spread we earn on our loans, adversely affecting us.

Any mismatch between the maturity of our loan portfolio and our sources of funds would magnify the effect of any imbalance in interest rates, also representing a liquidity risk if we fail to obtain funds on an ongoing basis. In addition, since part of our funding comes from securities denominated in dollars which we issue abroad, any devaluation of the *real* against the dollar would increase the cost of funding in relation to these securities. An increase in our total cost of funds for any of these reasons could result in an increase in the interest rates on our loans, which could, as a result, affect our ability to attract new customers.

The loss of members of our management team, or our inability to attract and maintain additional qualified personnel, may have a material adverse effect on us.

Our ability to maintain a competitive position in the market and implement our growth strategy depends upon our management. We cannot assure you that we will be successful in attracting and maintaining qualified personnel to be part of our management team. The loss of any of the members of our management team, or our inability to retain and attract qualified personnel, may cause a material adverse effect on us.

Our relationships with the principal shareholder could potentially have a material adverse effect on our business.

We are controlled by the JMalucelli Group, which is controlled by the Malucelli family. As a result, the Malucelli family, through the appointment of the executive officers, has the ability to control the decision-making power, and, among other things, to approve related-party transactions or corporate reorganizations, the issuance of additional securities and the provision of guarantees, in accordance with the Central Bank's regulations. Although the Malucelli family has historically adopted a prudent approach with respect to its investments in our bank, there can be no assurance that the interests of the controlling shareholders will always coincide with those of the Noteholders and that the interests of the Noteholders will not be adversely affected as a result. Furthermore, members of the Malucelli family are active in our management. Any change in control of our bank could have a material adverse effect on our management and our results of operations. See "Management" and "Principal Shareholders."

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

Our cost of funding is influenced by a number of factors, some of which are out of our control, such as Brazilian economic conditions and the regulatory environment for Brazilian banks. Any unfavorable change in these factors may have a negative impact on our credit rating, which could restrict our ability to borrow funds, transfer loans or issue securities on acceptable terms, increasing our cost of funding. Because the types of events and contingencies that could increase our cost of funding are the same types of events and contingencies that may cause us to urgently seek additional capital, a decrease in our credit rating may have a negative impact on our ability to obtain funding on acceptable terms or at all in situations where we may need the most additional funding.

Our liquidity and financial condition may be adversely affected as a consequence of future intervention by the Central Bank in other Brazilian financial institutions.

In the last quarter of 2004, certain medium-sized Brazilian banks experienced a significant decrease in their deposits and investments because of certain events and conditions in the financial market, including the Central Bank's intervention in the operations of Banco Santos S.A. in November 2004. If the Central Bank intervenes in the affairs of any other Brazilian financial institution, we, together with other medium-sized and smaller financial institutions, may be subject to withdrawals and decreases in investments, which could adversely affect our liquidity and financial condition.

Changes in the laws or adverse judicial decisions affecting the activities of our banking brokers may adversely affect us.

According to current Brazilian legislation, our banking brokers are considered service providers and do not have an employment relationship with us, and therefore we are not obligated to collect social contribution taxes on their behalf. The Brazilian government may issue new legislation or regulations that may characterize our banking brokers as employees, or otherwise oblige us to collect social contribution taxes on their behalf. Any modification creating an employment relationship among us and our banking brokers, or a significant number of adverse judicial decisions determining that an employment relationship with banking brokers exists or obligating us to collect such taxes on their behalf, would result in additional significant costs, which could force us to restructure our business. Any modification of the structure of our business may have a material adverse effect on us.

We prepare our financial statements in accordance with Brazilian GAAP. We have made no attempt to identify or quantify the impact of the mandatory adoption of IFRS and can not assure that we will not be adversely affected by it.

Brazilian GAAP differs in certain significant respects from U.S. GAAP and IFRS. There are significant differences between U.S. GAAP and IFRS and Brazilian GAAP. Accordingly, the financial statements contained in this Offering Circular differ from those that would be prepared based upon U.S. GAAP or IFRS. We have made no attempt to identify or quantify the impact of those differences. No reconciliation to U.S. GAAP or IFRS of any of the financial statements presented in this Offering Circular has been prepared for the purpose of this Offering Circular or for any other purpose. There can be no assurance that reconciliations would not identify material quantitative differences as well as disclosures and presentation differences between our consolidated financial statements as prepared in accordance with Brazilian GAAP and the financial statements as prepared under U.S. GAAP or IFRS. For example, one item that could require a significant adjustment from Brazilian GAAP to U.S. GAAP and IFRS relates to the accounting treatment used to recognize income from loans assigned with co-obligations. As of 2010, all Brazilian publicly-held companies, including us, will be required to adopt the IFRS accounting standard. We have made no attempt to identify or quantify the impact of the mandatory adoption of IFRS and can not assure that we will not be adversely affected by it. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Loan Assignments."

The inability to implement our business strategy may adversely affect the growth of our payroll deduction loans and small and middle-sized credit portfolios.

The continuous expansion of our payroll deduction loan and small and middle-sized credit portfolios depends on the successful implementation of our business strategy. This strategy relies upon our ability to successfully develop innovative payroll deduction loan products and technologies relating to our origination and processing of new loans, increase our potential customer base, expand our franchise and owned stores sales channels and profit from synergies between us and the Insurance Company. This strategy is subject to significant economic, competitive, regulatory and operational uncertainties, contingencies and risks, many of which are beyond our control. It can be expected that we will face unanticipated events and circumstances that adversely affect our business strategy. Therefore, we cannot assure that we will be able to successfully implement our business strategy. The inability to implement one or more items of our business strategy may adversely affect the growth of our portfolio, which may have a material adverse effect on us.

Any of the following factors, among others, may have a material adverse effect on our ability to implement our proposed strategy:

- failure to enter into new agreements with employers to increase our base of potential customers;
- failure to timely and successfully evaluate the risks associated with our small and middle-market transactions;
- failure to anticipate and adapt to new trends in the credit market, in particular in the payroll deduction loan and small and middle-market credit segments;
- failure to maintain our business relationship with our existing banking brokers;
- failure to successfully develop our alternative sales channels, in particular our franchise and owned stores;
- increases in competition in the banking industry, in particular the payroll deduction loan and small and middle-market segments;
- increases in operating costs, including, but not limited to, provisions associated with our small and middle-market credit transactions, which affect our profit margins;
- general economic, political and business conditions in Brazil;
- inflation and fluctuations in foreign exchange and interest rates;
- existing and future governmental laws and regulations;

- the risk of default on the receivables backing our small and middle-market credit transactions; and

- the risk of default by our customers.

There are deficiencies in our internal controls which could have an adverse impact on our results and our financial position.

Deficiencies have been identified in our internal controls over lawsuits in which we are plaintiffs or defendants, resulting in lack of information related to the involved amounts and final outcomes of such lawsuits. Insofar as our internal controls in this area are not properly implemented going forward, we may not be able to properly monitor and quantify the impact of future developments in our lawsuits, which could have an adverse impact on our results and our financial position in the future.

RISKS RELATING TO THE INSURANCE COMPANY AND THE BRAZILIAN INSURANCE INDUSTRY

The Insurance Company's customers are highly concentrated in certain economic sectors.

The Insurance Company's customers are highly concentrated in the infrastructure, industrial and services sectors. In 2008, approximately 90% of the gross written premiums of the Insurance Company were generated by transactions involving companies in these sectors. Any economic downturn affecting the infrastructure, industrial or services sectors in Brazil may adversely and materially affect the Insurance Company, because the demand for insurance coverage could decline as a result of declining business in these sectors. Additionally, the Insurance Company's loss (claims) ratio could increase as a result of defaults by its insured parties.

The concentration of the Insurance Company's business in the surety bonds market may increase its vulnerability to unfavorable conditions in this niche market.

Surety bonds accounted for 83.7% of the total gross written premiums the Insurance Company received in 2008. As a result of this concentration, unfavorable conditions related to regulations and the Brazilian macroeconomic scenario as well as to any other factors that we cannot foresee affecting the surety bonds market may have a more severe impact on the Insurance Company's business than on the business of other insurance companies that have a more diversified portfolio, adversely and materially affecting the Insurance Company.

If the number of claims increases significantly or if net losses exceed the amounts provisioned by the Insurance Company, the Insurance Company may be materially adversely affected.

Although the loss (claims) ratio of the Insurance Company has been historically lower than the average in the surety bond market, whether measured by retained loss (claims) per earned premiums, or by total loss (claims) of insurance per gross written premiums (retained net loss ratio and total loss ratio, respectively), if net losses (claims) exceed its loss (claims) provisions, the Insurance Company's results of operations may decrease. We can give no assurance that net losses will not increase significantly. Any relevant discrepancy in the estimated provisions against actual losses (claims) may reduce the Insurance Company's profits and materially and adversely affect the Insurance Company.

The end of IRB's monopoly of the Brazilian reinsurance market will increase competitiveness in the surety bond market and may increase the cost of contracting reinsurance.

Beginning in January 2007, the Brazilian reinsurance market has been undergoing a gradual process leading to the end of IRB's monopoly. The opening of the Brazilian reinsurance market may attract new global insurance companies, thus increasing competitiveness in this segment. The Insurance Company primarily competes based on its leadership position, its expertise and the strength of its relationships with international reinsurers and better performance ratios, when compared to its competitors. However, we cannot assure you that the Insurance Company will be able to increase or maintain its market share in the surety bond market.

The end of IRB's monopoly may adversely affect the Insurance Company to the extent it fails to reinsure its insurance contracts under appropriate terms or at acceptable prices with the Reinsurance Company or third parties.

Potential changes in the insurance regulatory environment may materially and adversely affect the Insurance Company.

The Insurance Company's business is subject to broad and strict regulation and supervision. Changes affecting the laws and regulations to which the Insurance Company is subject may materially and adversely affect its business. There can be no assurance that the Brazilian government will not change laws and regulations in a manner which would prevent or restrict the Insurance Company's operations.

RISKS RELATING TO THE NOTES

The Notes are obligations solely of our bank.

The Notes are the obligations solely of our bank. The affiliates and subsidiaries of our bank are not guaranteeing the Notes, and such companies are separate and distinct legal entities with no obligation, contingent or otherwise, to pay any amounts due pursuant to the Notes or to make any funds available therefore (whether by dividends, loans or other payments). In addition, claims of creditors of our bank's subsidiaries and affiliates, including trade creditors of, and banks and other lenders to, such subsidiaries and affiliates, will have priority over our bank's claims as to the assets and cash flow of such affiliates and subsidiaries because, with respect to any company, claims of its equity holders are generally subordinated to the claims of its creditors. Consequently, in any bankruptcy or similar proceeding involving these affiliates and subsidiaries, creditors of these affiliates and subsidiaries would have priority over their equity holders with respect to the cash flow and assets of such affiliates and subsidiaries.

The Notes will be subordinated to other obligations in the event of bankruptcy.

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

Brazilian bankruptcy legislation was recently modified with the enactment of the Reorganization and Bankruptcy Law (Law No. 11101 of 9 February 2005), which took effect on 9 June 2005. While the new legislation is in principle more favorable to creditors generally, there is no significant precedent by Brazilian courts. Moreover, lower Brazilian courts have recently ruled on a bankruptcy case that Noteholders that acquire notes in the secondary market are prevented from voting at creditors' meetings in the context of a court reorganization proceeding. These rulings by the lower courts are still subject to appeal. Accordingly, it is unclear what treatment the Notes or the Noteholders would receive from Brazilian courts in the event we enter into a bankruptcy or similar proceeding under Brazilian law.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of the Notes.

According to Law No. 10,833, enacted on 29 December 2003, the disposition of assets located in Brazil by non-residents of Brazil, whether to other non-residents of Brazil or Brazilian residents and whether made within or outside Brazil is subject to taxation in Brazil. If a disposition of assets is interpreted to include a disposition of the Notes, this law could result in the imposition of withholding taxes on a disposition of the Notes by a non-resident of Brazil to another non-resident of Brazil. Because no judicial guidance as to the application of Law No. 10,833 yet exists, we are unable to predict whether an interpretation applying such tax laws to dispositions of the Notes between non-residents could ultimately prevail in the courts of Brazil.

Judgments of Brazilian courts enforcing our obligations under the Notes are payable only in reais.

If proceedings were brought in Brazil seeking to enforce the obligations of our bank under the Notes, we would not be required to discharge our obligations in a currency other than *reais*. Any judgment obtained against us in Brazilian courts in respect of any payment obligations will be expressed in *reais* equivalent to the U.S. dollar amount of such payment at the rate of exchange, as published by the Central Bank, in effect on (1) the date of actual payment, (2) the date on which such judgment is rendered, or (3) the actual due date of the obligations. In addition, in case of our bankruptcy all credits denominated in foreign currencies shall be converted into *reais* at the prevailing rate on the date the bankruptcy is declared. Special authorization by the Central Bank shall be required for the conversion of such *reais*-denominated amounts into US dollars and for its remittance abroad. There can be no assurance that such rate of exchange will afford the Noteholders full compensation of the amounts invested in the Notes plus accrued interest or that such special authorization from the Central Bank will be obtained.

The Notes are subject to restrictions on resale.

The Notes have not been registered under the Securities Act or any state securities laws, and, unless so registered, may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Selling Restrictions."

There is presently no active market for the Notes.

The Notes constitute new securities, for which there is no existing market, and there can be no assurance regarding the future development of a market for the Notes, the ability of holders of the Notes to sell their Notes, or the price at which such holders may be able to sell their Notes. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting Brazil and the market for similar securities. Accordingly, no assurance can be given that an active market for the Notes will develop or as to the liquidity of, or the trading market for, the Notes.

The Notes may be redeemed at our option in whole if so provided in the applicable Final Terms or upon certain tax events.

The Notes are redeemable at our option, subject to any applicable approval of the Central Bank or any other then-applicable Brazilian governmental authority, in whole, at any time at the principal amount thereof plus accrued and unpaid interest due thereon plus Additional Amounts if, subject to certain conditions, (a) the applicable Final Terms provides for the early redemption of the Notes, or (b) for reasons outside our control, (i) we have or would become obligated to pay Additional Amounts payable with respect to Notes of a Series in excess of the Additional Amounts that the Issuer would be obliged to pay if interest payments in respect of the Notes were subject to deduction or withholding at a rate of 15% (determined without regard to any interest, fees, penalties or other additions to tax), as a result of any change in, or amendment to, the laws or regulations of Brazil, or any change in the application, administration or official interpretation of such laws or regulations (including administrative rulings or the holdings of a court of competent jurisdiction), which change or amendment occurs after the Issue Date of such Series and (ii) such obligation cannot be avoided by us taking reasonable measures available to us. See "General Description of the Programme - Tax Redemption" and "Taxation—Brazilian Taxation."

USE OF PROCEEDS

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

EXCHANGE RATES AND EXCHANGE CONTROLS

Prior to 14 March 2005, under Brazilian regulations, foreign exchange transactions were carried out on either the commercial rate exchange market or the floating rate exchange market. Rates in the two markets were generally the same. On March 14, 2005, the CMN issued Resolution No. 3,265, which unified the two markets. Resolution No. 3,625 allows, subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *reais* by a foreign person or legal entity, without limitation as to amount. However, the underlying transaction must be legitimate and have economic consideration evidenced by the respective supporting documentation. Additionally, the new regulation introduced several changes in the Brazilian foreign exchange regime, including the relaxation of certain rules relating to the acquisition of foreign currency by Brazilian residents and the extension of the term for the conversion of foreign currency proceeds derived from Brazilian exports into *reais*.

In the past, Brazil has experienced periods of severe currency devaluation and imposition of exchange controls. Between March 1995 and January 1999, the Central Bank permitted the gradual devaluation of the *real* against the U.S. dollar pursuant to an exchange rate policy that established a band within which the *real*-U.S. dollar exchange rate could float. Responding to pressure on the *real*, on January 13, 1999 the Central Bank widened the foreign exchange band and, on January 15, 1999, allowed the *real* to float freely. Since the beginning of 2001, the Brazilian exchange market has been increasingly volatile, and, until early 2003, the value of the *real* declined relative to the U.S. dollar, primarily due to financial and political instability in Brazil and Argentina. During 2004, the *real* appreciated by 8.1% against the U.S. dollar and continued to appreciate in the first half of 2005. As at December 31, 2006, the commercial market rate for purchasing U.S. dollars was R$2.1380 to U.S.$1.00 and, as at December 31, 2007, it was R$1.7713 to U.S.$1.00. The *real* experienced a significant degree of fluctuation in 2008, ranging from R$1.5593 to U.S.$1.00 to R$2.5004 to U.S.$1.00, and ended the year at R$2.3370 to U.S.$1.00, which represents a material depreciation from the average for the year of R$1.8375 to U.S.$1.00. In 2009, the *real* has appreciated substantially against the U.S. dollar, principally as a result of the ongoing global economic crisis. We cannot assure you that the *real* will not depreciate substantially or continue to appreciate against the U.S. dollar in the near future.

We cannot predict whether the Central Bank or the Brazilian federal government will continue to let the *real* float freely or if it will intervene in the exchange rate market by returning to a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially in the future.

The following table provides the exchange rate for the purchase of U.S. dollars expressed in *reais* per U.S. dollar for the periods and dates indicated.

	Exchange Rates of *reais* per U.S. $1.00			
	Low	**High**	**Average[(1)]**	**Period End**
Year Ended:				
31/12/04	2.6544	3.2051	2.9257	2.6544
31/12/05	2.1633	2.7621	2.4341	2.3407
31/12/06	2.0586	2.3711	2.1771	2.1380
31/12/07	1.7325	2.1556	1.9483	1.7713
31/12/08	1.5593	2.5004	1.8375	2.3370
Months Ended:				
31/01/09	2.1889	2.3803	2.3074	2.3162
28/02/09	2.2446	2.3916	2.3127	2.3784
31/03/09	2.2375	2.4218	2.3138	2.3152
30/04/09	2.1699	2.2899	2.2059	2.1783
31/05/09	1.9730	2.1476	2.0609	1.9730
30/06/09	1.9301	2.0074	1.9576	1.9516
31/07/09	1.8726	2.0147	1.9328	1.8726
31/08/09	1.8181	1.8864	1.8452	1.8864
30/09/09	1.7781	1.9038	1.8198	1.7781
31/10/09	1.7037	1.7844	1.7384	1.7440
30/11/09	1.7024	1.7588	1.7262	1.7505

Source: Central Bank.

On [ ] December 2009, the commercial selling rate as reported by the Central Bank was R$[ ] per U.S.$1.00.

Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or serious reasons to foresee such imbalance, temporary restrictions may be imposed by the Brazilian Government on remittances of foreign capital abroad. For example, in order to conserve Brazil's foreign currency reserves, for approximately six months in 1989 and early 1990 the Brazilian Government froze all dividend and capital repatriations that were owed to foreign equity investors. These amounts were held by the Central Bank and subsequently released in accordance with Brazilian Government directives. Since 1990, no similar measures have been adopted, but there can be no assurance that the Brazilian Government will maintain its current policy on the matter. See "Risk Factors — Risks Relating to Brazil—The Brazilian currency is subject to exchange controls and restrictions."

CAPITALIZATION

The following table sets forth our short term debt, long term debt and shareholders' equity as of 30 September 2009. The information provided below derives from our unaudited consolidated financial statements, subject to limited review, as of and for the nine months ended 30 September 2009. You should read it in conjunction with the information included in "Presentation of Financial and Other Information," "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited consolidated financial statements and related notes, included elsewhere in this Offering Circular. There have not been significant changes in our capitalization since 30 September 2009. Solely for the convenience of the reader, *reais* amounts as of and for the nine months ended 30 September 2009 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, as reported by the Central Bank, as of 30 September 2009 of R$1.7781 to U.S.$1.00.

	As of 30 September 2009	
	(in R$ millions)	*(in U.S.$ millions)*
Current liabilities		
Deposits	569.6	320.4
Money market repurchase commitments	14.0	7.9
Interbank accounts	0.8	0.5
Other liabilities (1)	531.2	298.8
Total current liabilities	**1,115.7**	**627.5**
Long-term liabilities		
Deposits	365.8	205.7
Acceptances and endorsements	63.4	35.7
Derivative financial instruments	7.5	4.2
Other liabilities (1)	298.1	167.6
Total long-term liabilities	**734.8**	**413.3**
Shareholders' equity		
Capital		
Domestic	680.2	382.6
Foreign	83.6	47.0
Capital reserve	0.3	0.1
Revenue reserves	41.3	23.2
Retained earnings	14.5	8.1
Shares held in Treasury	(8.5)	(4.8)
Total shareholders' equity	**811.4**	**456.3**
Total liabilities and shareholders' equity	**2,661.9**	**1,497.0**

(1) Composition of other liabilities (current and long term):

	As of 30 September 2009	
	(in R$ millions)	*(in U.S.$ millions)*
Fiscal and social security contributions	52.8	29.7
Insurance operational liabilities	197.0	110.8
Insurance technical provisions	478.1	268.9
Other operations	101.4	57.0
Total (current and long-term)	**829.3**	**466.4**

SELECTED FINANCIAL INFORMATION

The selected consolidated financial information as of and for the nine months ended 30 September 2008 and 2009 derives from our unaudited consolidated financial statements prepared in accordance with Brazilian GAAP as of and for the nine months ended 30 September 2008 and 2009 included elsewhere in this Offering Circular.

The selected financial information as of and for the years ended 31 December 2006, 2007 and 2008 derives from our audited consolidated financial statements prepared in accordance with Brazilian GAAP as of and for the years ended 31 December 2006, 2007, and 2008 included elsewhere in this Offering Circular.

Because we are a financial institution, we are also subject to the rules of the CMN and the Central Bank regarding the preparation of both our non-consolidated and consolidated financial statements. Our non-consolidated financial statements are prepared based on the Brazilian Corporations Law accounting practices, together with rules and guidances from the CMN and the Central Bank, and IBRACON, and are used as a basis for payment of dividends. The Central Bank rules also require the consolidation of the financial information of "financial conglomerates." A financial conglomerate is defined as a "group of financial entities directly connected to each other or not by means of stock holdings or actual operating control, characterized by common administration or management, or by market operation under the same trademark or name," as set forth by Rule No. 21 of the Accounting Plan of Institutions of the National Finance System. Our non-consolidated financial statements and the financial statements of the financial conglomerate to which we belong are used for the calculation of various operating limits required by the Central Bank. As a result of our registration as a publicly held company, in addition to the CMN and Central Bank rules, we are subject to the CVM rules regarding the disclosure and publication of financial information. Therefore, we keep our accounting records and financial statements in accordance with the rules of the CMN, the Central Bank and the CVM.

The CVM rules are materially different from the Central Bank rules in several respects, particularly with respect to the CVM requirements for preparation of consolidated financial information. According to the CVM rules, assets, liabilities, revenues and expenses of controlled companies, including non-financial subsidiaries, and certain FIDCs should be presented on a consolidated basis, rather than (1) in the line item "investments," in the case of subsidiaries, and in the line item "securities," in the case of FIDCs, on the balance sheet; and (2) in the line item "equity pick-up," in the case of subsidiaries, and in the line item "securities," in the case of FIDCs, on the statement of income. The consolidation criteria issued by the Central Bank for non-financial subsidiaries and FIDCs differ from the CVM rules described above. Total assets, total liabilities, shareholders' equity and net income presented in the financial statements of our bank and of our financial conglomerate differ from those presented in the consolidated financial statements prepared in accordance with rules and guidances of the CVM because of the elimination of unrealized profits and reinstatement of assets and liabilities relating to loan assignments of our bank to Paraná Banco I FIDC and to Paraná Banco II FIDC. For additional information, please see "Presentation of Financial and Other Information." The table below presents a comparison among the non-consolidated financial statements of our bank and the consolidated financial statements of our bank and subsidiaries, prepared in accordance with CVM rules:

	Year ended 31 December,						Nine months ended 30 September,	
	2006		2007		2008		2009	
	(in R$ millions)							
	Net income	**Shareholders' equity**	**Net income**	**Shareholders' equity**	**Net income**	**Shareholders' equity**	**Net income**	**Shareholders' equity**
Non-consolidated financial statements of Paraná Banco (according to the CVM and the Central Bank rules)[1]	49.4	158.9	63.9	749.6	75.5	806.6	77.6	811.1
Income eliminated in the process of consolidation	(5.9)	(5.9)	3.9	(2.5)	5.6	3.1	(2.4)	0.3
Consolidated financial statements[2]	43.6	153.0	67.8	747.1	84.1	809.7	75.2	811.4

(1) Pursuant to accounting rules of the CVM and the Central Bank our non-consolidated financial statements do not present differences in shareholders' equity and in net income.

(2) Pursuant to Brazilian GAAP and rules and regulations issued by the CVM related to consolidation.

You should read and analyze the information below in conjunction with our consolidated financial statements and related notes included elsewhere in this Offering Circular and with the sections "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Solely for the convenience of the reader, *reais* amounts as of and for (i) the nine months ended 30 September 2009 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, as reported by the Central Bank, as of 30 September 2009 of R$1.7781 and (ii) the year ended 31 December 2008 have been translated into U.S. dollars at the commercial selling rate at closing for purchase of U.S. dollars, as reported by the Central Bank, as of 31 December 2008 of R$2.3370 to U.S.$1.00. The U.S. dollar equivalent information should not be construed to imply that the *real* amount represents, or could have been or could be converted into, U.S. dollars at this rate or at any other rate.

Consolidated Statement of Income Information (in millions)	Year ended 31 December,				Nine months ended 30 September,		
	2006	2007	2008	2008	2008	2009	2009
		(R$)		(U.S.$)	(R$)		(U.S.$)
Loans	212.4	275.0	356.3	152.5	251.3	204.3	114.9
Interest (yield on loans)	179.8	232.1	320.0	137.0	244.6	203.2	114.3
Income on Loan assignments	32.6	43.0	36.3	15.5	6.7	1.1	0.6
Securities	8.4	43.8	51.8	22.2	36.7	47.8	26.9
Income from financial operations	**220.8**	**318.8**	**408.1**	**174.6**	**288.0**	**252.1**	**141.8**
Time deposits, money market repurchase commitments and interbank deposits	(57.3)	(86.4)	(146.9)	(62.9)	(100.8)	(49.2)	(27.7)
Derivative financial instruments	(8.8)	(14.2)	8.7	3.7	0.2	(20.1)	(11.3)
Allowance for doubtful loans	(22.9)	(36.4)	(37.2)	(15.9)	(26.8)	(40.1)	(22.6)
Expenses from financial operations	**(89.0)**	(137.0)	**(175.4)**	**(75.1)**	**(127.4)**	**(109.4)**	**(61.6)**
Net income from financial operations	**131.8**	**181.8**	**232.7**	**99.6**	**160.6**	**142.7**	**80.2**
Service fee income	12.4	10.0	58.0	24.8	37.6	48.7	27.4
Personnel expenses	(7.9)	(11..0)	(28.5)	(12.1)	(20.0)	(21.4)	(12.0)
Directors' fees	(0.4)	(1.2)	(3.4)	(1.5)	(2.3)	(2.3)	(1.3)
Other administrative expenses	(67.2)	(96.6)	(156.9)	(67.1)	(96.4)	(91.8)	(51.6)
Transactional taxes	(10.8)	(15.3)	(16.6)	(7.1)	(12.0)	(10.4)	(5.8)
Equity share in earnings of associated company	1.4	3.9	-	-	-	-	-
Other operating income	6.9	26.8	274.5	117.5	165.3	277.2	155.9
Other operating expenses	(4.6)	(12.3)	(253.8)	(108.6)	(175.2)	(278.4)	(156.6)
Other operating income (expenses)	**(70.2)**	**(95.6)**	**(126.7)**	**(54.2)**	**(102.9)**	**(78.4)**	**(44.1)**
Operating income	**61.6**	**86.2**	**105.9**	**45.3**	**57.7**	**64.3**	**36.2**
Net non-operating income (expenses)	**(0.4)**	**-**	-	**-**	-	**1.2**	**0.7**
Income before taxes on income	**61.2**	**86.2**	**105.9**	**45.3**	**57.7**	**65.5**	**36.8**
Current income tax	(13.3)	(20.1)	(17.8)	(7.6)	(14.8)	(17.3)	(9.7)
Current social contribution tax	(4.8)	(7.6)	(8.9)	(3.8)	(6.5)	(10.5)	(5.9)
Deferred income and social contribution taxes	0.9	11.1	9.0	3.9	3.5	6.6	3.7
Income and social contribution taxes	**(17.2)**	**(16.6)**	**(17.7)**	**(7.6)**	**(17.8)**	**(21.2)**	**(12.0)**
Profit sharing	(0.4)	(1.8)	(4.1)	(1.8)	(1.9)	(0.8)	(0.5)
Reversal of interest on own capital	-	-	-	-	30.0	31.8	17.9
Net income	**43.6**	**67.8**	**84.1**	**36.0**	**68.1**	**75.2**	**24.4**

Consolidated Balance Sheet Information (in millions)	As of 31 December,				As of 30 September,		
	2006	2007	2008	2008	2008	2009	2008
		(R$)		(U.S.$)	(R$)		(U.S.$)
Assets							
Cash and cash equivalents	7.9	0.6	3.9	1.7.	69.9	3.4	1.9
Interbank funds invested	73.8	319.6	86.5	37.0	6.8	104.8	59.0
Securities	48.0	9.3	129.4	55.4	150.7	338.7	190.5
Interbank accounts	-	-	-	-	0.7	0.4	0.2
Loans	347.4	637.3	442.0	189.1	623.5	554.8	312.0
Other receivables	9.2	12.8	137.0	58.6	96.6	115.3	64.8
Other assets	22.9	39.8	30.6	13.1	43.7	265.6	149.4
Current assets	**509.2**	**1,019.4**	**829.4**	**354.9**	**991.9**	**1,383.0**	**777.8**
Interbank funds invested	-	-	0.1	0.04	-	-	-
Securities	-	67.3	380.5	162.8	243.6	326.7	183.7
Loans	275.8	534.8	619.2	265.0	796.9	592.3	333.1
Other receivables	9.3	13.8	46.5	19.9	38.1	50.2	28.3
Other assets	17.1	33.8	38.9	16.7	51.9	248.9	140.0
Non–current assets	**302.2**	**649.7**	**1,085.2**	**464.4**	**1,130.6**	**1,218.1**	**685.1**
Investments	9.6	51.4	1.6	0.7	1.6	1.3	0.8
Fixed assets for own use	2.5	3.5	5.5	2.4	5.2	5.6	3.1
Deferred charges	0.3	0.4	56.0	24.0	56.7	53.8	30.3
Permanent assets	**12.4**	**55.3**	**63.2**	**27.0**	**63.5**	**60.7**	**34.2**
Total assets	**823.8**	**1,724.4**	**1,977.8**	**846.3**	**2,186.1**	**2,661.9**	**1,497.0**
Liabilities							
Deposits	229.1	490.8	306.8	131.3	539.9	569.6	320.4
Money market repurchase commitments	22.4	1.4	6.0	2.6	15.5	14.0	7.9
Acceptances and endorsements	46.2	47.5	13.3	5.7	51.2	-	-
Interbank accounts	-	-	-	-	0.3	0.8	0.5
Derivative financial instruments	5.0	9.8	-	-	5.6	-	-
Other liabilities	52.9	114.5	228.1	97.6	184.9	531.2	298.8
Current liabilities	**355.6**	**664.0**	**554.2**	**237.2**	**797.4**	**1,115.7**	**627.5**
Deposits	247.3	296.3	462.7	198.0	456.2	365.8	205.7
Acceptances and endorsements	56.2	9.4	84.3	36.1	69.2	63.4	35.7
Derivative financial instruments	1.2	-	-	-	-	7.5	4.2
Other liabilities	10.5	7.6	66.8	28.6	49.5	298.1	167.6
Non-current liabilities	**315.2**	**313.3**	**613.8**	**262.7**	**574.9**	**734.8**	**413.3**
Deferred income	-	-	-	-	2.8	-	-
Shareholders' equity							
Capital							
Domestic	100.0	280.6	569.4	243.7	424.4	680.2	382.6
Foreign	-	419.3	194.4	83.2	339.5	83.6	47.0
Capital increase	-	-	-	-	-	-	-
Capital reserve	0.1	0.1	0.3	0.1	0.3	0.3	0.1
Revenue reserves	52.9	57.5	63.5	27.2	41.6	41.3	23.2
Retained earnings	-	-	-	-	17.3	14.5	8.1
Shares held in Treasury	-	(10.4)	(17.8)	(7.6)	(12.0)	(8.5)	(4.8)
Total	**153.0**	**747.1**	**809.7**	**346.5**	**810.9**	**811.4**	**456.3**
Total liabilities and shareholders' equity	**823.8**	**1,724.4**	**1,977.8**	**846.3**	**2,186.1**	**2,661.9**	**1,497.0**

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

The following discussion of our financial condition and results of operations is based on, and should be read in conjunction with, our audited consolidated financial statements for the years ended 31 December 2006, 2007 and 2008 and related notes, and our unaudited consolidated financial statements for the nine months ended 30 September 2008 and 2009 and related notes, which were subject to a limited review by our independent auditors, included elsewhere in this offering circular, as well as the information in the sections "Presentation of Financial and Other Information," "Selected Financial and Operating Data" and "Other Financial Information." The following discussion contains future estimates and statements that involve risks and uncertainties. The actual results may differ substantially from those discussed in forward-looking statements as a result of various factors, including, without limitation, those set forth in the sections "Forward-Looking Information and Statements" and "Risk Factors."

Overview

We are one of the first banks in Brazil to offer payroll deduction loans, a type of consumer loan that is repaid through deductions from the borrower's paycheck or benefits check. We began to offer payroll deduction loans in 1980. In 1995, when a change in Brazilian law authorized the deduction of loan repayments from paychecks of employees of the government of the Brazilian state of Paraná, we began focusing our operations on this business. Since then, we have demonstrated consistent growth and low default rates, which have contributed significantly to our becoming a profitable bank. Our return on average equity for the three years ending on 31 December 2008 was 17.5%, As of 30 September 2009, we had a ratio of capital to risk-weighted assets of 48.8%, which is substantially higher than the minimum capital requirements established by the Central Bank (11%) and the Basel Accord (8%).

A payroll deduction loan can only be offered to an individual borrower in Brazil once a bank has entered into an agreement permitting the deduction with that borrower's employer or with the INSS, in the case of a INSS benefit recipient. We are one of the leaders among medium-sized banks in the payroll deduction loan business in Brazil, in terms of number of agreements with employers. As of 30 September 2009, we had 531 active agreements with various municipal, state and federal entities. These employers include 16 Brazilian states; 310 municipalities including important Brazilian state capitals and main cities such as São Paulo, Rio de Janeiro, Curitiba, Porto Alegre, Belo Horizonte, Salvador, Recife and Goiânia, among others; the INSS and several municipal, state and federal government entities. As of the same date, we had more than 316,000 individual loan agreements in effect. Our current agreements with employers provide us with the potential for growth on a large untapped base that we estimate to be of approximately 27 million potential customers. We have well-structured nationwide sales channels, including seven owned stores, 80 franchises and a diversified network of 607 banking brokers as of 30 September 2009.

We have historically operated in the credit market for small and middle-sized companies. For strategic reasons, we suspended these operations in 1998 and later resumed them in the beginning of 2007, since which we have been granting loans in the form of unsecured loan agreements, overdraft facilities and working capital financing loans to small and middle-sized companies. As of 30 September 2009, we had a portfolio of R$117.5 million, which represented 9.7% of our total credit portfolio.

Our total loan portfolio showed an average compound annual growth rate, or CAGR, of 30.6% from 31 December 2005 through 31 December 2008. We generated R$624.9 million, R$873.7 million and R$920.9 million in new payroll deduction loans in 2006, 2007 and 2008, respectively, which represents a compound annual growth rate of 13.8% for this three-year period. We generated R$848.0 million and R$475.2 million in new payroll deduction loans for the nine months ended 30 September 2008 and 2009, respectively. The balance of our total loan portfolio was R$1,110.5 million as of 31 December 2008, of which 91.6%, or R$1,017.2 million, was comprised of payroll deduction loans. The balance of our total loan portfolio was R$1,205.3 million as of 30 September 2009, of which 88.8%, or R$1,070.5 million, was comprised of payroll deduction loans. Our income from payroll deduction loans represented 87.3% of our consolidated income from financial intermediation as of and for the year ended 31 December 2008. Our income from payroll deduction loans represented 87.3% and 81.0% of our consolidated income from financial intermediation as of and for the nine months ended 30 September 2008 and 2009, respectively.

The payroll deduction loan segment is a fast-growing consumer credit market in Brazil, having a CAGR of 46.4% from 31 December 2004 through 31 December 2008, while the overall consumer credit market grew by 29.9% in the same period, according to the Central Bank.

Critical Accounting Policies

Below is a description of the critical accounting policies that currently affect our financial condition and results of operations and require our management to use certain estimates and assumptions from past experience and other factors considered reasonable and relevant, including estimates and assumptions related to the calculation of allowance for doubtful loans and the market value of securities and derivatives. The use of these estimates and assumptions requires our management to make decisions relative to the effects of uncertain issues on our financial condition and results of operations. If our management decides to change those estimates and assumptions, our financial condition and results of operations could be significantly affected. See note 3 to our consolidated financial statements for the year ended 31 December 2008, included elsewhere in this offering circular, for a summary of the accounting policies and methods used in the preparation of our financial statements.

The following description also shows the accounting treatment used for loan assignments to financial institutions. While the accounting treatment used in these operations does not require our management to use relevant assumptions and estimates, loan assignments have had a significant effect on our results of operations.

Loan Assignments

We assign loans with and without co-obligations. Except for loan assignments to the Paraná Banco I FIDC and Paraná Banco II FIDC, which remain recorded on the on-balance sheet loan portfolio in our consolidated financial statements, when we assign loans we have granted, we recognize the income from these assignments in the "income from financial operations—loans**"** line item by calculating the difference between the current accounting value of the loan at the date of the assignment and the value of sale of the loan to the buyer.

Loan assignments with co-obligations under which the borrower is in default are recorded in our on-balance sheet loan portfolio and we make provisions at the time of repurchase for the respective amount in accordance with the credit risk classification.

Accounting for Loan Assignments

Except for loan assignments to Paraná Banco I FIDC and Paraná Banco II FIDC, which are recorded on the on-balance sheet loan portfolio in our consolidated financial statements, on the date of the assignment we remove from our balance sheet the amount of the loan assigned based on its book value and we record the cash payment received from the assignee. The amount of the payment related to the assignment corresponds to the present value of the loans assigned, which is calculated based on the applicable discount rate that is defined between us and the assignee on the face value of the loans. The difference between the cash payment received from the assignee and the book value of the loans assigned is recorded as earnings in the "income from financial operations –loans" line item. Loan assignments with co-obligations that are under default by the borrower are repurchased by us and recorded in our on-balance sheet loan portfolio. They are provisioned at the time of repurchase according to the applicable risk profile classification.

The Central Bank made available the Notice of Public Audience n. 29 on 4 April 2007, which established procedures for the classification, accounting and disclosure of financial assets sales and transfers. This notice provides that changes in recording of loan assignments, mainly those with retention of partial or full risks, should be kept in the assets recorded on the balance sheet of the Bank and related earnings should be recorded in the result of the period for the remaining term of the transaction. Currently, loan assignments are removed from our assets and the related earnings are fully recognized in the period of the date of the loan assignment. This notice provides that new rules may be applicable to all financial assets sales and transfers from 1 January 2008. Because this is a Notice of Public Audience, we cannot assure that there will not be changes that will significantly modify these requirements, when the rule comes into effect. If the requirements set forth in this notice are implemented without significant amendments, there will be a temporary adverse effect on the accounting of earnings from loan assignments in our results of operations because these earnings will be recognized by the remaining term of the transaction, instead of being recognized on the date of the loan assignment. In addition, this rule may align the recording of yield on loan assignments on our non-consolidated and consolidated financial statements.

Loan Defaults and Allowance for Doubtful Loans

An increase in defaults by borrowers in our loan portfolio may result in an increase in our loan losses, which may adversely affect our business and financial condition. We comply with Central Bank regulations regarding the writing-off of overdue loans. These rules require that loans be transferred to a loss account 360 days after the relevant maturity date.

The percentage of delinquency rates in our total credit portfolio has increased in recent periods due primarily to the constant growth of our operations. Because of this constant growth, delinquency rates as a percentage of our total credits may not be representative of, or comparable to, ratios of a seasoned credit portfolio. The actual delinquency rates of our credit portfolio as a percentage of total credits could be materially higher than the current ratios presented in this offering circular as the portfolio becomes seasoned and some of our more recently originated loans become due.

The allowance for doubtful loans is calculated according to the criterion established in the CMN Resolution No. 2,682, dated 21 December 1999. According to this resolution, loans are classified on nine credit risk levels, from "AA," which is the lowest level, to "H," the highest level, and a minimum provision is attributed to loans classified in each category, ranging from 0% (for loans classified as "AA") to 100% (for loans classified as "H").

When classifying loans according to their respective risk levels, we must separate them into two groups. The first group includes loans which total value is equal to or greater than R$50,000. Loans pertaining to this group are classified individually, based on factors such as value of the borrower's operations, existing guarantees, and the borrower's characteristics, economic condition and past operations. The second group includes loans of less than R$50,000, which may be classified according to an internal evaluation model or to the aforementioned risk levels, provided that the classification must be within the range from risk level "A" to risk level "H." The rules of the CMN require that the classification of loans in an amount greater than 5% of a bank's adjusted shareholders' equity must be assessed twice a year. In addition, overdue loans must be reclassified in higher risk categories, according to the length of time for which they have been overdue.

Income from loans which are overdue for a period of up to 59 days are recorded as income from financial operations and, from the 60th day onward, as unearned income. Loans in arrears classified as category "H" are kept in this category for 180 days. Afterwards, they are recorded as losses and remain recorded on memorandum accounts for a period of five years, as long as collection procedures have not yet been concluded. Renegotiated loans are kept in the category in which they were classified prior to renegotiation and may be adjusted to a better classification depending on the amount of the operation that was repaid. Any renegotiated loan that is withdrawn against the reserve will be reclassified under category "H" and any earnings from renegotiation will not be recognized until they are actually received.

Interbank Funds Investments

Interbank funds investments are recorded at their investment value, plus income earned through the balance sheet date.

Classification of Securities

According to Central Bank Circular No. 3,068, dated 8 November 2001, securities in our portfolio are classified as follows:

- *securities for trading*. The securities we acquire for trading are recorded on our accounting books at their acquisition cost, plus revenues received up to the balance sheet date, adjusted according to market price. Revenue and adjustments calculated according to market price are recorded as results for the respective period.

- *securities available for sale*. The securities that are not classified as securities for trading or held to maturity, are classified as available for sale. The latter are recorded at their acquisition cost, plus any accrued income up to the balance sheet date and adjusted according to market price. Revenue is recognized in the results for the period and the adjustments according to market price are recorded in a separate account for shareholders' equity, after taxes.

Market Value of Financial Instruments

In accordance with Brazilian GAAP, we record some of our assets, such as securities and derivatives, at their market value.

Market value is defined under Brazilian GAAP as the value according to which a position may be closed or sold in a transaction carried out with a willing and informed counterpart. The market value of most of the securities we hold is determined based on the value of trades in these securities performed on a given day or business day prior to the date on which the transaction to sell or close the position in the security is performed. When information regarding trades in these securities is not available, we determine the market value based on various other sources. For government bonds, market value is based on research compiled by the National Association of Open Market Institutions (*Associação Nacional de Instituições de Mercado Financeiro*). Equity interest in investment funds is indexed to the price quoted by the fund manager.

We enter into swap agreements to manage our exposure to currency exchange risks. The market price of these derivatives is recorded based on their respective quotes on the exchanges where they are traded, especially the Brazilian Mercantile and Futures Exchange (*Bolsa de Mercadorias e Futuro*).

Derivative Financial Instruments

We conduct transactions involving derivatives to manage our exposure to currency exchange risks arising mainly from issuances of bonds outside of Brazil. In our accounting for derivative instruments, we record the derivative instruments at their market value. We recognize changes in value of our derivative financial instruments in our statement of income for the period.

Commissions

Commissions paid for the generation of loans by banking brokers and franchisees are recorded to results based on the period of the relevant loan contracts. The balance of deferred commissions is recorded as prepaid expenses.

Provisions for Contingencies

We establish provisions for contingencies and assess the likelihood any unfavorable judgment or result relating to administrative, tax, labor, social security and civil matters after careful analysis of each proceeding, based on the opinion of our external counsel. Provisions are only established when we believe the loss is probable or if a negative judicial ruling has been issued. These provisions may be modified due to changes in the status of each proceeding. These changes may adversely affect our results and cash flows.

Recognition of Income and Expenses

We recognize income and expenses according to the accrual method of accounting. Income and expenses of a financial nature are recognized according to the *pro-rata tempore* criterion. Operations with post-fixed interest rates or indexed to foreign currencies are updated through the balance sheet date.

The most relevant expenses that we incur are commission expenses paid to banking brokers of loans granted, which are recognized to income based on the period of the relevant loan contract. These expenses are not subject to return in the event the borrower defaults.

Nine Months Ended 30 September 2009 Compared to Nine Months Ended 30 September 2008

The table below sets forth the main components of our consolidated net income for the nine months ended 30 September 2008 and 2009:

	Nine months ended 30 September,				
	2008	% of total(1)	2009	% of total(1)	Variation (%)
	(in R$ millions, except percentages)				
Income from financial operations	288.0	100.0%	252.1	100.0%	(12.5)%
Expenses from financial operations	(127.4)	(44.2)%	(109.4)	(43.4)%	(14.1)%
Net income from financial operations	**160.6**	**55.8%**	**142.7**	**56.6%**	**(11.1)%**
Other operating income (expenses)	(102.9)	(35.7)%	(78.4)	(31.1)%	(23.8)%
Operating income	**57.7**	**20.0%**	**64.3**	**25.5%**	**11.4%**
Net non-operating income (expenses)	-	-	1.2	0.5%	-
Income before taxes on income	**57.7**	**20.0%**	**65.5**	**26.0%**	**13.5%**
Income and social contribution taxes	(17.8)	(6.2)%	(21.2)	(8.4)%	19.1%
Profit sharing	(1.9)	(0.7)%	(0.8)	(0.3)%	(57.9)%
Reversal of interest on own capital	30.0	10.4%	31.8	12.6%	6.0%
Net income for the period	**68.1**	**23.6%**	**75.2**	**29.9%**	**10.7%**

(1) Calculated as a percentage of income from financial operations.

Income from Financial Operations

Loans

Our income from financial operations decreased by 12.5%, or R$35.9 million, to R$252.1 million in the nine months ended 30 September 2009 from R$288.0 million in the nine months ended 30 September 2008, primarily as a result of a fall of 18.3% in our loan operations, the slowdown in economic activity, the reduction of loans granted in the fourth quarter of 2008, and our stricter loan policies. Consequently, our income from loans decreased by 18.7%, or R$47 million, to R$204.3 million in the nine months ended 30 September 2009 from R$251.3 million in the nine months ended 30 September 2008.

Securities

Our income from marketable securities operations in the same period increased by 30.2%, or R$11.1 million, to R$47.8 million from R$36.7 million, as a result of the increase of our liquidity, as well as the growth of portfolios of our insurance and reinsurance businesses.

Expenses from Financial Operations

Expenses from financial operations decreased by 14.1%, or R$18 million, to R$109.4 million in the nine months ended 30 September 2009 from R$127.4 million in the nine months ended 30 September 2008. This was primarily a result of the variations in our expenses from financial operations discussed below.

Time Deposits, Money Market Repurchase Commitments, Interbank Deposits and Funding via FIDC

Expenses from time deposits, money market, interbank deposits and funding via FIDC decreased by 51.1%, or R$51.5 million, to R$49.3 million in the nine months ended 30 September 2009 from R$100.8 million in the nine months ended 30 September 2008, primarily as a result of the reduction of our funding costs and the appreciation of the *real* against the U.S. dollar, which generated an income from foreign exchange gains in the period.

Derivative Financial Instruments

Expenses from derivative financial instruments increased by 10,192.5%, or R$20.3 million, to R$20.1 million in the nine months ended 30 September 2009 from an income of R$0.2 million in the nine months ended 30 September 2008, primarily as a result of the depreciation of the U.S. dollar against the *real* in the nine months ended

30 September 2009, which increased the cost of our hedging agreement in respect of our U.S.$35 million 7.75% Notes due 2011 issued under the Programme.

Allowance for Doubtful Loans

Expenses from our allowance for doubtful loans increased by 49.8%, or R$13.3 million, to R$40.1 million in the nine months ended 30 September 2009 from R$26.8 million in the nine months ended 30 September 2008, primarily as a result of the merger of FIDC Paraná Banco I, which discontinued operations in August 2009 and whose loan losses were consolidated into the bank's balance sheet; as well as associated loan write-offs. The merger of the FIDC was a one time event which caused an increase of R$6.4 million in allowance for doubtful loans in the third quarter of 2009.

Net Income from Financial Operations

As a result of the aforementioned items, our net income from financial operations decreased by 11.2%, or R$17.9 million, to R$142.7 million in the nine months ended 30 September 2009 from R$160.6 million in the nine months ended 30 September 2008.

Other Operating Income (Expenses)

Other operating expenses decreased by 23.8%, or R$24.5 million, to R$78.4 million in the nine months ended 30 September 2009 from R$102.9 million in the nine months ended 30 September 2008, primarily as a result of the increase in services income and other insurance income. This positive result was partially offset by the increase in the personnel expenses due to indemnities caused by our downsizing in the end of 2008 and in the beginning of 2009.

Service Fee Income

Our service fee income increased by 29.2%, or R$11.0 million, to R$48.7 million in the nine months ended 30 September 2009, from R$37.7 million in the nine months ended 30 September 2008, primarily as a result of the commissions generated by the Insurance Company in the period.

Personnel Expenses

Our personnel expenses increased by 6.4%, or R$1.4 million, to R$23.7 million in the nine months ended 30 September 2009 from R$22.3 million in the nine months ended 30 September 2008, primarily as a result of the severance payments caused by our downsizing in the end of 2008 and in the beginning of 2009, as well as the hiring of 94 new employees to the divisions of loans to small and medium enterprises and surety bond market.

Other Administrative Expenses

Our other administrative expenses decreased by 4.8%, or R$4.6 million, to R$91.8 million in the nine months ended 30 September 2009 from R$96.4 million in the nine months ended 30 September 2008, primarily as a result of the decrease in payment of commissions and brokerages of payroll-deductible loan origination. In our financial statements, we recognize commissions paid in our financial statements based on the period of the relevant loan contract. For further information on the recognition of commission expenses, see "—Critical Accounting Policies."

Transactional Taxes

Our transactional taxes decreased by 13.3%, or R$1.6 million, to R$10.4 million in the nine months ended 30 September 2009 from R$12.0 million in the nine months ended 30 September 2008, primarily as a result of the decrease in income from financial operations, which reduced the calculation basis of transactional taxes.

Other Operating Income

Our other operating income increased by 67.7%, or R$111.9 million, to R$277.2 million in the nine months ended 30 September 2009 from R$165.3 million in the nine months ended 30 September 2008, primarily as a result of an increase in insurance premiums.

Other Operating Expenses

Our other operating expenses increased by 58.9%, or R$103.1 million, to R$278.4 million, in the nine months ended 30 September 2009 from R$175.2 million the nine months ended 30 September 2008, primarily as a result of an increase in coinsurance and reinsurance premiums assigned.

Operating Income

As a result of the aforementioned, our operating income increased by 11.4%, or R$6.6 million, to R$64.3 million in the nine months ended 30 September 2009 from R$57.7 million in the nine months ended 30 September 2008.

Income and Social Contribution Taxes

Provision for Income and Social Contribution Taxes

Provision for income and social contribution taxes increased 30.5%, or R$6.5 million, to R$27.8 million in the nine months ended 30 September 2009, compared to R$21.3 million in the nine months ended 30 September 2008, primarily as a result of an increase in our operating income, which increased our taxable income. Our income and social contribution tax rates are 25% and 9%, respectively.

Deferred Income and Social Contribution Taxes

Deferred tax credits increased by 88.6%, or R$3.1 million, to R$6.6 million in the nine months ended 30 September 2009, compared to R$3.5 million in the nine months ended 30 September 2008, primarily as a result of the effect of the adjustment of the consolidation of unrealized profits in loan assignments to Paraná Banco FIDC I and II, the increase in our allowance for doubtful loans, and, to a lesser extent, an increase in contingencies related to social security, which makes up the basis for calculating deferred income and social contribution taxes.

Reversal of Interest on Own Capital

Reversal of interest on own capital increased to R$31.8 million in the nine months ended 30 September 2009, compared to R$30.0 million in the nine months ended 30 September 2008, primarily as a result of our decision to compensate our shareholders through the payment of interest on equity. The financial benefit generated by this type of distribution is of 40% on the total amount distributed in each period.

Net Income

Due to the factors discussed above, our net income increased 10.7%, or R$7.3 million, to R$75.3 million in the nine months ended 30 September 2009 from R$68.0 million in the nine months ended 30 September 2008, primarily as a result of the combination of our strategy to reduce the commissions in respect of reinsurance and payroll-deductible loans and our lower funding costs.

Year Ended 31 December 2008 Compared to the Year Ended 31 December 2007

The table below sets forth the main components of our consolidated net income for the years ended 31 December 2007 and 2008:

	Year ended 31 December,				
	2007	**% of total(1)**	**2008**	**% of total(1)**	**Variation (%)**
	(in R$ millions, except percentages)				
Income from financial operations	318.8	100.0%	408.1	100.0%	28.0%
Expenses from financial operations	(137.1)	(43.0)%	(175.4)	(69.6%)	27.9%
Net income from financial operations	**181.7**	**57.0%**	**232.7**	**92.3%**	**28.0%**
Other operating income (expenses)	(95.6)	(30.3)%	(126.7)	(50.3%)	32.5%
Operating income	**86.1**	**27.0%**	**105.9**	**42.0%**	**23.0%**
Net non-operating income (expenses)	-	-	-	-	-
Income before taxes on income	**86.1**	**27.0%**	**105.9**	**42.0%**	**23.0%**
Income and social contribution taxes	(16.6)	(5.2)%	(17.7)	(7.0%)	6.6%
Profit sharing	(1.8)	(0.6)%	(4.1)	(1.6%)	127.8%
Net income for the period	**67.7**	**21.3%**	**84.1**	**33.4%**	**24.2%**

(1) Calculated as a percentage of income from financial operations.

Income from Financial Operations

Income from financial operations increased by 28.0%, or R$89.3 million, to R$408.1 million in 2008 from R$318.8 million in 2007, primarily as a result of the expansion of the loan portfolio and the accelerated origination of new payroll-deduction loan agreements until the third quarter of 2008.

Loans

The increase in income from loans by 29.6%, or R$81.3 million, to R$356.3 million in 2008 from R$275.0 million in 2007, was mainly due to the expansion of our credit operations until the third quarter of 2008, which witnessed the peak of the global financial crisis and consequently, a slowdown of the growth curve of the credit market, and due to the assignment of receivables.

Securities

Income from securities increased by 18.3%, or R$8.0 million, to R$51.8 million in 2008 from R$43.8 million in 2007, primarily as a result of the slowdown of personal loan operations and consequently increase of securities portfolio, together with an increase on average interest rates.

Expenses from Financial Operations

Expenses from financial operations increased by 54.0%, or R$48.1 million, to R$137.1 million in 2008 from R$89.0 million in 2007, primarily as a result of the increase of our allowances for doubtful loans and funding expenses.

Time Deposits, Money Market Repurchase Commitments and Interbank Deposits

Expenses from time deposits, money market repurchase commitments and interbank deposits increased by 70.0%, or R$60.5 million, to R$146.9 million in 2008 from R$86.4 million in 2007, primarily as a result of higher funding costs and expenses on exchange variations of R$12.9 million in 2008.

Derivative Financial Instruments

Derivative financial instruments decreased by 161.0% or R$22.9 million, to a revenue of R$8.7 million in 2008 from an expense of R$14.2 million in 2007, primarily as a result of the depreciation of the *real* against the U.S. dollar in 2008, which produced gains under our hedging agreement in respect of our U.S.$35 million 7.75% Notes due 2011 issued under the Programme.

Allowance for Doubtful Loans

Expenses from our allowance for doubtful loans increased by 2.1%, or R$0.8 million, to R$37.2 million in 2008 from R$36.4 million in 2007, in line with our conservative policy.

Net Income from Financial Operations

As a result of the aforementioned items, our net income from financial operations increased by 28.0%, or R$50.9 million, to R$232.7 million in 2008 from R$181.8 million in 2007.

Other Operating Income (Expenses)

Other operating income (expenses) increased by 32.5%, or R$31.1 million, to R$126.7 million in 2008 from R$95.6 million in 2007, mostly as a result of the sharp increase of the insurance business resulting in greater reinsured premiums commissions and profit sharing.

Service Fee Income

Service fee income increased by 480.0%, or R$48.0 million, to R$58.0 million in 2008 from R$10.0 million in 2007, primarily as a result of the sharp increase in the insurance business resulting in greater reinsured premiums commissions and profit sharing.

Personnel Expenses

Personnel expenses increased by 160%, or R$19.7 million, to R$31.9 million in 2008 from R$12.2 million in 2007, primarily as a result of our strategy to diversify our credit portfolio by developing new products, as well as an administrative restructuring process. This process, needed to adapt the Bank to the new sectorial and economic situation, involved a staff reduction, which led to labor expenses in the fourth quarter of 2008.

Other Administrative Expenses

Other administrative expenses increased by 62.4%, or R$60.3 million, to R$156.9 million in 2008 from R$96.6 million in 2007, primarily as a result of the increase in payment of commissions to insurance brokers reflecting the sharp increase of the insurance business, and, to a lesser extent, due to commissions paid to the banking brokers reflecting the increase in payroll deduction loans. Commissions paid to the insurance brokers totaled R$42.5 million and R$29.8 million in 2008 and 2007 respectively. Commissions paid to the bank brokers totaled R$60.1 million and R$54.8 million in 2008 and 2007, respectively. In our financial statements, we recognize commissions paid in our financial statements based on the period of the relevant loan contract. For further information on the recognition of expenses with commissions, see "—Critical Accounting Policies."

Transactional Taxes

Transactional taxes increased by 8.5%, or R$1.3 million, to R$16.6 million in 2008 from R$15.3 million in 2007, primarily as a result of the increase in income from financial operations, which increased the calculation basis of transactional taxes.

Other Operating Income

Our other operating income increased by 924.3%, or R$247.7 million, to R$274.5 million in 2008 from R$26.8 million in 2007, primarily as a result of the increase in insurance premiums.

Other Operating Expenses

Other operating expenses increased 1,963.4%, or R$241.5 million, to R$253.8 million in 2008 from R$12.3 million in 2007, primarily as a result of the coinsurance and reinsurance premiums assigned, as well as due to the increase in the technical provisions for insurance and retained claims.

Operating Income

As a result of the aforementioned items, our operating income increased by 23.0%, or R$19.7 million, to R$105.9 million in 2008 from R$86.2 million in 2007.

Income and Social Contribution Taxes

Provision for Income and Social Contribution Taxes

Our provision for income and social contribution taxes decreased by 3.6%, or R$1 million, to R$26.7 million in 2008 from R$27.7 million in 2007, due to the greater amount distributed as interest on own capital in 2008.

Deferred Income and Social Contribution Taxes

Deferred tax credits decreased by 18.9%, or R$2.1 million, to R$9.0 million in 2008 from R$11.1 million in 2007, primarily due to the effect of the adjustment of the consolidation of unrealized profits in loan assignments to Paraná Banco FIDC I and II, the increase in our allowance for doubtful loans, and, to a lesser extent, an increase in contingencies related to social security, which makes up the basis for calculating deferred income and social contribution taxes.

Net Income

Due to the factors discussed above, our net income increased by 24.2%, or R$16.3 million, to R$84.1 million in 2008 from R$67.8 million in 2007, primarily as a result of the substantial expansion of our loan portfolio.

Year Ended 31 December 2007 Compared to the Year Ended 31 December 2006

The table below sets forth the main components of our net income for the years ended 31 December 2006 and 2007:

	Year ended 31 December,				
	2006	**% of total[(1)]**	**2007**	**% of total[(1)]**	**Variation (%)**
	(R$ in millions, except percentages)				
Income from financial operations	220.8	100.0%	318.8	100.0%	44.4%
Expenses from financial operations	(89.0)	(40.3)%	(137.1)	(43.0)%	54.0%
Net income from financial operations	**131.8**	**59.7%**	**181.7**	**57.0%**	**37.9%**
Other operating income (expenses)	(70.2)	(31.8)%	(95.6)	(30.3)%	(36.2)%
Operating income	**61.6**	**27.9%**	**86.1**	**27.0%**	**39.8%**
Net non-operating income (expenses)	(0.4)	(0.2)%	-	-	(100.0)%
Income before taxes on income	**61.2**	**27.7%**	**86.1**	**27.0%**	**40.7%**
Income and social contribution taxes	(17.2)	(7.8)%	(16.6)	(5.2)%	(3.5)%
Profit sharing	(0.4)	(0.2)%	(1.8)	(0.6)%	350.0%
Net income for the period	**43.6**	**19.7%**	**67.7**	**21.3%**	**55.3%**

(1) Calculated as a percentage of income from financial operations.

Income from Financial Operations

Income from financial operations increased by 44.4%, or R$98.0 million, to R$318.8 million in 2007 from R$220.8 million in 2006, primarily as a result of substantial expansion of the loan portfolio and the accelerated origination of new payroll-deduction loan agreements. The increase in income from loans by R$62.7 million in 2007 was mainly due to the expansion of our loan portfolio and origination acceleration and a decrease on loan assignment agreements in 2007 as compared to 2006, which adversely affected our income from loans in 2006. Income from interest was positively affected in 2007, compared to 2006, due to our initial public offering concluded in June 2007, part of the proceeds of which allowed us to refrain from entering into loan assignment transactions with other financial institutions.

Income from securities increased to R$43.8 million in 2007 from R$8.4 million in 2006, primarily as a result of a temporary increase in our investments in securities with the proceeds of our initial public offering in 2007.

Expenses from Financial Operations

Expenses from financial operations increased by 54.0%, or R$48.1 million, to R$137.1 million in 2007 from R$89.0 million in 2006, primarily as a result of the increase of our allowances for doubtful loans and funding expenses.

Time Deposits, Money Market Repurchase Commitments and Interbank Deposits

Expenses from time deposits, money market repurchase commitments and interbank deposits increased by 51.0%, or R$29.1 million, to R$86.4 million in 2007 from R$57.3 million in 2006, primarily as a result of an increase in the average deposits portfolio due to the upgrading of our credit ratings and our initial public offering concluded in June 2007.

Expenses from time deposits, money market repurchase commitments and interbank deposits increased in the same proportion as the increase in our loan portfolio. Annual funding fees were 12.5% in 2007, compared to 14.4% in 2006.

Derivative Financial Instruments

Expenses from derivative financial instruments increased by 61.4% or R$5.4 million, to R$14.2 million in 2007 from R$8.8 million in 2006, primarily as a result of the increase in the number of derivative transactions we entered into to hedge against exchange rate variations affecting our U.S. dollar-denominated notes.

Allowance for Doubtful Loans

Expenses from our allowance for doubtful loans increased by 59.1%, or R$13.5 million, to R$36.4 million in 2007 from R$22.9 million in 2006, primarily as a result of the substantial growth of our loan portfolio.

Net Income from Financial Operations

As a result of the aforementioned, our net income from financial operations increased by 27.5%, or R$50.0 million, to R$181.8 million in 2007 from R$131.8 million in 2006.

Other Operating Income (Expenses)

Other operating income (expenses) increased by 36.3%, or R$25.5 million, to R$95.7 million in 2007 from R$70.2 million in 2006, primarily as a result of the substantial growth of our operations.

Service Fee Income

Service fee income decreased by 19.3%, or R$2.4 million, to R$10.0 million in 2007 from R$12.4 million in 2006, primarily as a result of the continuous adverse effect of the regulations that, from 12 May 2006, prohibits us from collecting fees from INSS benefit recipients. This reduction was partially offset by an increase in the number of new agreements entered into with employers, which enable us to collect fees on a greater total number of payroll deduction loans.

Personnel Expenses

Personnel expenses increased by 39.2%, or R$3.1 million, to R$11.0 million in 2007 from R$7.9 million in 2006, primarily as a result of the expansion of our operations, in particular the hiring of new employees and the expenses associated with our new franchise department, products and sales channels.

Directors' Fees

Directors' fees amounted to R$1.2 million in 2007 and R$0.4 million in 2006.

Other Administrative Expenses

Other administrative expenses increased by 43.8%, or R$29.4 million, to R$96.6 million in 2007 from R$67.2 million in 2006, primarily as a result of the increase in payment of commissions to banking brokers reflecting the increase in payroll deduction loans. Commissions paid totaled R$61.4 million and R$42.9 million in 2007 and 2006, respectively. In our financial statements, we recognize commissions paid in our financial statements based on the period of the relevant loan contract. For further information on the recognition of expenses with commissions, see "—Critical Accounting Policies."

Transactional Taxes

Transactional taxes increased by 41.7%, or R$4.5 million, to R$15.3 million in 2007 from R$10.8 million in 2006, primarily as a result of the increase in income from financial operations, which increased the calculation basis of transactional taxes.

Other Operating Income

Our other operating income increased by R$19.9 million, to R$26.8 million in 2007 from R$6.9 million in 2006, primarily as a result of the charging of prepayment fees on payroll deduction loans, which was permitted in 2007.

Other Operating Expenses

Other operating expenses increased R$7.6 million, to R$12.2 million in 2007 from R$4.6 million in 2006, primarily as a result of losses resulting from loan assignment agreements.

Operating Income

As a result of the aforementioned, our operating income increased by 40.7%, or R$25.1 million, to R$86.7 million in 2007 from R$61.6 million in 2006.

Net Non-operating Income (Expenses)

Our net non-operating income increased R$0.3 million, to R$0.1 million in 2007 from an expense of R$0.4 million in 2006.

Income and Social Contribution Taxes

Provision for Income and Social Contribution Taxes

Our provision for income and social contribution taxes increased by 60.0%, or R$10.8 million, to R$28.8 million in 2007 from R$18.0 million in 2006, due to an increase in our operating income, which increased our taxable income. Our income and social contribution taxes rates are 25% and 9%, respectively.

Deferred Income and Social Contribution Taxes

Deferred tax credits increased by R$10.2 million, to R$11.1 million in 2007 from R$0.9 million in 2006, primarily due to the new accounting practices adopted by us in the second quarter of 2007 in relation to the commissions paid to our banking brokers, as a result of which we record these commissions to results based on the period of the relevant loan contracts and the balance of deferred commissions as prepaid expenses.

Net Income

Due to the factors discussed above, our net income increased by 55.6%, or R$24.2 million, to R$67.8 million in 2007 from R$43.6 million in 2006, primarily as a result of the substantial expansion of our loan portfolio and the relatively small increase in our operating expenses as compared to the increase in our revenues from financial operations.

Liquidity

In general, it is our policy to maintain a liquidity position that enables us to meet our present and future financial obligations and to take advantage of commercial opportunities when they arise. As of 30 September 2009 and 31 December 2006, 2007 and 2008, we kept 76.4%, 26.1%, 46.9% and 68.7% of our funds invested in interbank deposits and securities in relation to the funds generated by means of time deposits, money market repurchase commitments and issuances of debt securities outside of Brazil, respectively.

We manage our liquidity position by performing overnight operations with other financial institutions, generally for a one-business-day term, backed by Brazilian federal treasury bonds and buy-back commitments that have immediate liquidity in the market. These transactions represent an important instrument in the management of our liquidity. As of 31 December 2008, we had R$600.3 million in securities and interbank deposits invested. As of the same date, we had financial obligations in the amount of R$873.2 million. As of 30 September 2009, we had R$773.6 million in securities and interbank deposits invested. As of the same date, we had financial obligations in the amount of R$1,012.9 million.

From time to time we also issue U.S. dollar-denominated notes in the international capital markets. Our current U.S. dollar-denominated debt consists of our U.S.$35 million 7.75% Notes due 2011 issued under the Programme. Our currency risk under these notes is fully hedged at 115.75% of the CDI rate.

Off-balance Sheet Arrangements

As of the date of this offering circular, we had no off-balance sheet arrangements, except for those involving loan assignments to other financial institutions. See "—Critical Accounting Policies—Loan Assignments."

Risks and Risk Management

In the normal course of business, we are exposed to various types of risks inherent to our banking activities. The most significant are market risk, credit risk and liquidity risk. The manner in which we manage and identify these risks is essential to our profitability. Our risk management policies are conservative because they endeavor to limit the possibility of our absolute losses as much as possible, without compromising our efficiency. We constantly strive to improve our risk management practices. We have a senior committee composed of our officers that is responsible for credit decisions. Our risk management practices seek to ensure our financial stability by adhering to the best market practices in compliance with applicable Brazilian banking regulations. For further information, see "Business – Risk Management."

Market Risk

Market risk management is the process by which we observe and manage potential risks related to changes in the market prices of financial instruments, which may directly or indirectly have an adverse effect on the values of our assets, liabilities and derivative positions.

We have adopted a mix of sensitivity analysis methodologies to evaluate our market risk. Sensitivity analysis is the appraisal of the potential future loss of revenue which could be caused by hypothetical changes in interest rates and foreign exchange rates.

Based on a conservative policy, our board of executive officers controls market risks on a daily basis by using our operating technology information systems and following market trends. This allows it to track our VaR (value at risk) in a timely manner and to evaluate our portfolio vis-à-vis pre-approved exposure limits to minimize our exposure to market risk from any uncovered positions.

Interest Rate Fluctuation Risk

Management of our interest rate sensitivity is one of the components of our asset and liability management policy. Interest rate sensitivity is the relationship between market interest rates and net interest revenue due to the maturity or repricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, interest rate sensitivity is offset when an equal amount of these assets or liabilities matures or reprices on that date.

Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. This relationship is applicable as of a particular date only, and significant fluctuations can occur on a daily basis as a result of market forces and our management's decisions.

Our interest rate sensitivity strategy takes into account:

- the balance between expected rates of return and risk;
- our overall exposure to interest rate risk; and
- our liquidity and capital requirements.

Our management reevaluates our positions on a daily basis and rapidly changes them, if needed, according to changes in market conditions. We do not enter into derivatives for the hedging of our interest rate positions.

Exchange Rate Fluctuation Risk

Most of our transactions are denominated in reais. However, we historically have had, and expect to continue to have, certain funds, liabilities and derivatives denominated in, and indexed to, foreign currency, principally the U.S. dollar. The Central Bank limits our exposure to foreign currency to up to 60% of our adjusted shareholders' equity. As of 31 March 2008, our exposure to net foreign currency was 5.5% of our adjusted shareholders' equity, according to Central Bank regulations. The Central Bank sets forth rules for our foreign currency positions as a percentage of our regulatory capital.

In relation to all our indebtedness in foreign currency, we enter into derivatives for foreign currency hedging, typically swaps, whereby we swap part of our liabilities in foreign currency for an index linked to the CDI or another appropriate index. Our management revaluates our positions on a daily basis and rapidly changes them, if needed, according to changes in market conditions.

Credit Risk

Management of our credit risk is the process by which we observe and manage potential risks related to default by our borrowers.

Our senior committee uses methodology to evaluate and approve loans that includes technical criteria for an economic and financial evaluation that is consistent with criteria employed by other financial institutions operating in the Brazilian market. Before we approve any loan, we also evaluate and analyze the credit risk of the borrower's employer, which minimizes the default risk.

Liquidity Risk

Management of liquidity risk is the process by which we observe and manage potential risks related to a sudden loss of liquidity, such as the one that took place in the Brazilian banking sector during the second half of 2004.

Our senior committee has adopted a conservative policy of cash management, emphasizing asset liquidity. In addition, our senior committee also prioritizes the quality of our treasury transactions, investing in Brazilian government bonds which, while having a lower return than other financial instruments, have immediate liquidity. Furthermore, we constantly monitor our liquidity level and, when needed, we take necessary measures to maintain liquidity, such as the reduction of our volume of loans and the sale of Brazilian government bonds, among others.

REGULATION OF THE BRAZILIAN BANKING AND INSURANCE INDUSTRIES

Banking Industry

Principal Financial Institutions

Financial institutions in the Brazilian financial system include commercial banks, multiple-service banks, investment banks, development banks, credit, financial and investment institutions (consumer credit companies) and credit co-operatives.

Public Sector Financial Institutions

The Brazilian federal and state governments control various commercial banks and financial institutions. As of June 30, 2009, 12 public sector commercial and multiple-service banks were controlled by the Brazilian federal and state governments. Government-owned financial 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 ten 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 S.A.*, a federal government-controlled bank 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;
- *Banco Nacional de Desenvolvimento Econômico e Social*, or BNDES, a development bank wholly owned by the 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 S.A.*, a federal savings bank which acts as the principal agent of the government-regulated system for providing housing financing.

Private Sector Financial Institutions

As of June 30, 2009, private sector financial institutions operating in the Brazilian financial sector included:

- 158 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, 131 securities dealerships, 105 brokerage companies, 35 leasing companies and 16 savings associations and real estate credit companies.

The commercial and multiple-service banks operating in Brazil as of June 30, 2009 included banks controlled by Brazilian residents and entities, banks controlled by non-Brazilian persons and entities, and which were jointly controlled by Brazilian and foreign persons and entities.

Principal Regulatory Agencies

The basic institutional framework of the Brazilian financial system was established by Law No. 4,595 of December 31, 1964, or the Banking Law. The Banking Law created the Central Bank and the CMN.

The financial system in Brazil is governed by the following principal bodies: (i) the CMN; (ii) the National Council of Private Insurance and the Pension Management Council; (iii) the Central Bank; (iv) the CVM; (v) SUSEP; and (vi) the Pension Secretariat (*Secretaria de Previdência Complementar*), or SPC. These institutions supervise, regulate and inspect financial institutions, stock exchanges, insurance companies and pension funds, among others.

The Main Regulatory Organs of the Banking Industry

The CMN

The CMN is the main entity of the Brazilian financial system with responsibility for monitoring the monetary and exchange policies dedicated to economic and social development, in addition to the functioning of the financial system. Pursuant to the Banking Law, the main objectives of its policies, among others, are:

- adapting the volume of means of payment to the needs of the national economy and its development process;
- regulating the value of the *real* in order to prevent or correct inflationary or deflationary spikes of internal or external origin, economic depressions or other imbalances arising from sudden events;
- regulating the foreign exchange value of the currency and the country's balance of payments in order to make better use of foreign currency resources;
- providing guidelines for the use of funds by financial institutions, whether public or private, so as to ensure favorable conditions to the different regions of the country for the stable development of the national economy;
- perfecting financial instruments and institutions so as to make the payments system and the mobility of funds more efficient;
- ensuring the liquidity and solvency of financial institutions;
- coordinating the monetary, credit, budget, fiscal and internal and external public debt policies; and
- defining the policy to govern the organization and operation of the Brazilian securities market.

The CMN is comprised of the minister of finance as chairman, the minister of planning, budget and management and the president of the Central Bank.

The Central Bank

Pursuant to the Banking Law, the Central Bank is the entity vested with the powers to implement the monetary and credit policies set by the CMN, and to monitor the financial institutions in both the public and private sectors, imposing on them those penalties as provided by law, whenever necessary. Furthermore, in addition to such a legal role, the Central Bank is charged with exercising control over credit and foreign capital, receiving compulsory payments and voluntary deposits in cash from financial institutions, carrying out rediscount and lending operations to banks, in addition to acting as depositary for the official gold and foreign exchange reserves. It is further incumbent upon this entity to control and approve the organization, operation, transfer of control and corporate reorganization of financial institutions.

The president of the Central Bank is appointed by the President of Brazil for an indefinite term of office and subject to ratification by the Federal Senate.

The CVM

Law No. 6,385, of 7 December 1976, or the Securities Market Law, created the CVM as a governmental agency with special provisions. It reports to the ministry of finance, has its own corporate characteristics and assets, and is vested with independent administrative authority.

The CVM is charged with the following responsibilities:

- regulating, with due regard for the policy defined by the CMN, the subject matters specified in the Brazilian Corporations Law and the Securities Market Law;

- managing the registries established by the Securities Market Law, such as registry of publicly-held corporations and public offerings, for example;

- monitoring, on a permanent basis, the activities of and the services provided for the securities market, in addition to disclosing relevant information to the market, to those who take part in it and regarding the securities traded on it;

- proposing to the CMN maximum limits on prices, commissions, fees and any other advantages charged by market intermediaries; and

- monitoring and inspecting publicly held companies, specifically those that do not show a profit on the balance sheet or do not pay the mandatory minimum dividend.

Additionally, Law No. 10,303 of 31 October 2001, which amended the provisions of the Brazilian Corporations Law and the Securities Market Law, transferred the duty to regulate and supervise financial and investment funds, which were originally regulated and supervised by the Central Bank, to the CVM. Joint Decision No. 10, taken by the CVM and by the Central Bank on 2 May 2002, established the terms and conditions for transferring this duty. In addition, on 5 July 2002, the CVM and the Central Bank signed a memorandum of understanding, by which they defined the general terms and conditions for transferring these duties to the CVM.

The CVM's headquarters and its principal place of business are located in the city of Rio de Janeiro, state of Rio de Janeiro, but its jurisdiction extends throughout Brazil. The CVM is managed by a chairperson and four directors, who are nominated by the President of Brazil from among well-reputed individuals of recognized competence in capital markets, and they are appointed upon approval by the Federal Senate. CVM officers are appointed for a five year term and may not be reappointed, so that every year one fifth of the sitting members are replaced.

Legal Reform of the National Financial System — Amendment to the Federal Constitution

Pursuant to Paragraph 3 of Article 192 of the Brazilian Constitution, there was a limit for interest rates charged on bank loans of 12% per annum. This paragraph was revoked and since the Brazilian Constitution was enacted, this limit has not been applied because the constitutional provision is pending regulation. Several attempts to regulate the limit on bank loan interest rates then followed, but were not implemented.

In this context, in May 2003, constitutional amendment 4003, or EC 40/03, was enacted, revoking all subsections and paragraphs of Article 192 of the federal constitution. EC 40/03 replaced such restrictive constitutional provisions with a general authorization for the national financial system to be regulated pursuant to specific supplemental laws.

However, the current Brazilian civil code, in effect since 2003, limits the interest on loans to the rate in effect for overdue payment of taxes owed to the national treasury, in so far as this limit may only be waived where a different rate is legally foreseen. Nevertheless, uncertainty still remains as to which should be the maximum interest rate, the Selic rate or the former interest rate limit of 12% per annum provided for by the Brazilian tax code, and as to the enforceability of this ceiling on the transactions carried out by financial institutions.

Regulation of Payroll Deductions

The deduction of loan payments from workers' salaries is allowed for both public service and private sector employees, though they are regulated under different legislation. Deductions from INSS benefit recipients' paychecks are also allowed for loan payment purposes.

While legislation authorizing the granting of payroll deduction loans to government employees was enacted in 1990, legislative authorization for these loans to private sector employees and INSS benefit recipients was only enacted in the second half of 2003, by means of Law No. 10,820, dated 17 December 2003, or Law No. 10,820. Nonetheless, this law did not provide a clear, legal basis for the regulation of benefit deductible loans to INSS benefit recipients, and was supplemented and amended by another statute, which was passed in September 2004.

Public Employees

According to Article 45, sole paragraph, of Law No. 8,112, dated 11 December 1990, currently regulated by Decree No. 6,386, dated 29 February 2008, or Decree No. 6,386, payroll discounts are permitted for repaying loans by public employees. This decree defines these deductions as optional, distinguishing them from mandatory deductions such as income tax withheld at source, social contribution taxes, trade union contributions, child support and other legal withholdings.

The total monthly sum of optional deductions may not exceed 30% of a public employee's gross monthly income. In addition, if optional and mandatory deductions together exceed 70% of the employee's gross monthly income, the optional deductions may be suspended by up to the excess amount.

Limits are placed on payroll deductions to assure that the worker will keep a sufficient part of his wages to cover his basic needs. The priority given to mandatory deductions has the objective of making sure that wages are earmarked for the payment of essential debts.

Pursuant to Decree No. 6,386, a public employee's authorization for payments to be deducted from his paycheck is irrevocable, which means that this authorization may only be canceled before the loan is fully repaid if the bank agrees to the cancellation, or if it is considered to be in the government's best interest.

Retired federal employees may also authorize loan payments to be deducted from their benefits, provided that the aforementioned restrictions are observed.

In addition to Law No. 8,112 and Decree No. 6,386, which are specific to federal employees, there are several other state and municipal laws authorizing payroll deductible loans to public employees of the respective states and municipalities. Generally speaking, these laws also provide (1) for a limitation on deductions and (2) that the borrower's authorization can only be canceled if the lender agrees to it.

Private Sector Employees

The consolidated labor laws authorize an employer to deduct any sums from an employee's wages only (1) in those cases authorized by law, (2) to offset advances made by the employer, or (3) in those cases authorized by a collective bargaining agreement with employees.

Law No. 10,820, and Decree No. 4,840, dated 17 September 2003, authorize paycheck deductions for the repayment of loans extended by financial institutions to private sector employees. These statutes set a maximum monthly limit for deductions as loan repayments at 30% of the employee's net wages (i.e., gross wages paid by the employer less other optional and mandatory deductions).

Pursuant to Law No. 10,820, an employee's authorization for loan payments to be deducted from his wages is irrevocable, which means that such authorization may only be canceled before the loan is fully repaid if the bank agrees to the cancellation.

INSS Benefit Recipients

Law No. 10,820 and Decree No. 3,048 dated 6 May 1999, as amended by Decree No. 4,862 dated 21 October 2003, provide the legal basis for benefit deductions for repayment of loans granted by financial institutions to INSS retirees and benefit recipients. This legislation imposes a maximum monthly limit of 30.0% of the borrower's gross wages, net of certain additional payments and mandatory deductions, consisting of 20% for direct loans and 10% for credit cards transactions, pursuant to Normative Instruction No. 25 of 7 January 2008, issued by the INSS , or Normative Instruction No. 25, which amended Normative Instruction No. 121 of 1 July 2005, or Normative Instruction No. 121.

Under Law No. 10,820, the borrower's authorization for loan payments to be deducted from his benefits is also irrevocable, which means that such authorization may only be canceled before the loan is fully repaid if the bank agrees to the cancellation. On 29 September 2005, the INSS issued Normative Instruction No. 1 prohibiting financial institutions from accepting authorizations for paycheck deductions by telephone and limiting the repayment of such loans to 36 monthly installments.

Credit Cards with Payroll Deduction Loans for INSS Benefit Recipients

Pursuant to INSS Normative Instruction No. 121, dated 1 July 2005, INSS benefit recipients may designate an amount of up to 10.0% of their current benefits (observing a general limit of 30%) for future deductions relating to the payment of loans extended through credit cards.

On 22 November 2005, the INSS suspended for thirty days any renewal of authorizations for deductions in connection with payroll deduction loans through credit cards or the issuance of credit cards with this feature. Such suspension was recommended by the National Council on Supplemental Welfare (*Conselho Nacional de Previdência Social*), or CNPS, which decided to extend the suspension until 15 June 2006. The INSS set up a committee to conduct an analysis of transactions with such credit cards, and to recommend any new criteria, restrictions or prohibitions regarding these kinds of transactions.

On 7 July 2006, the INSS issued Normative Instruction No. 8, which authorizes credit to be extended through credit cards, up to a limit of twice the benefit amount received by the benefit recipient. Pursuant to Normative Instruction No. 25, credits extended through credit cards are also subject to a limit of 10% of the borrower's gross wages.

In addition to these regulations relating to INSS benefit recipients, several state and municipal laws allow deductions from benefits for the payment of loans linked to credit cards.

Legality of Payroll Deductions

Pursuant to a specific ruling on special appeal RE 550871/RS, published in the *Diário Oficial* on 2 August 2004, the third panel of the Superior Court of Justice determined that the irrevocability of the authorization given by a public servant from the state of Rio Grande do Sul to deduct loan payments directly from his paycheck was abusive. The grounds for the ruling were the allegation that wages may not be subject to foreclosure under the Brazilian code of civil procedure.

The Superior Court of Justice ruling stands solely for this specific case, and does not affect the legality of other transactions where irrevocable authorizations for loan payment deductions were given by a borrower. Brazilian court decisions in general, even those rendered by the higher courts, are not binding on other judges. Only recently did the Federal Supreme Court's (*Supremo Tribunal Federal*), or STF, reiterated decisions become binding on other judicial bodies. Therefore, should other employees in the public or private sector decide to challenge the irrevocability of the authorization given by them, each court of competent jurisdiction will be free to decide according to the court's own interpretation of applicable law.

In the past, other justices of the Superior Court of Justice have ruled that an irrevocable authorization for loan payment through paycheck deduction was valid. Furthermore, the ruling according to which a voluntary deduction can be compared to judicial attachment is not unanimous, as indicated by other Superior Court of Justice rulings on the same issue. In addition, upon review by a special panel of the Superior Court of Justice in June 2005, the latter declared its understanding that authorizations for paycheck deductions may not be revoked once given by the borrower.

Main Limitations and Restrictions on Business of Financial Institutions

The business conducted by financial institutions is subject to a series of limitations and restrictions. Besides the restrictions mentioned concerning the granting of payroll deduction loans, such limitations pertain to the extension of loans, risk concentration, investments, sale and repurchase agreements, foreign currency loans, management of third party assets and microloans, among others.

Furthermore, in accordance with Resolution No. 1,559 dated 1988, financial institutions are forbidden to undertake transactions that do not meet the principles of selectivity, guarantees, liquidity and risk diversification.

Restrictions on Granting Loans

- financial institutions are forbidden to grant loans or advances to individuals or companies having shareholding participation in their share capital of more than 10%, except in certain specific circumstances upon authorization from the Central Bank;

- financial institutions are forbidden to grant loans or advances to their executive directors and the members of their consulting, fiscal, administrative councils or any similar council, to their respective spouses, to the second-degree relatives of any of these persons, in addition to any company whose executive officers are, wholly or partially, the same as those of the financial institution;

- financial institutions are forbidden to grant loans or advances to any company in which the financial institution holds more than 10% of shareholding participation or which is under the financial institution's common control; or

- financial institutions are forbidden to grant loans or advances to any company in which the executive officers and the members of the board of directors of the financial institution or their spouses and second-degree relatives hold more than 10% of the capital stock or of which they are also officers.

It should be pointed out, however, that such restrictions on transactions with related persons do not apply to transactions entered into with financial institutions in the interbank market.

Moreover, currently certain restrictions are being applied to financial institutions, in order to limit the granting of loans to companies of the public sector, such as state controlled companies and government agencies, in addition to certain indebtedness limits to which such public sector companies are already subject.

Repurchase Transactions

Financial institutions are forbidden to carry out repurchase transactions; *i.e.*, those involving certain assets that are sold or bought under an agreement to repurchase or resell, respectively, in excess of an amount equivalent to 30 times their reference capital (*património de referência*), or PR, as defined in Resolution No. 3,444, of 8 February 2007, as amended, or Resolution No. 3,444. Within this limit, repurchase transactions involving private securities may not exceed five times the amount of its PR. Limits on repurchase transactions pertaining to bonds, for which the Brazilian government authorities are responsible, vary depending on the type of security and the issuer's perceived risk as determined by the Central Bank.

Foreign Currency Loans and Onlending

The Central Bank may stipulate limitations to the term, interest rate and general conditions of foreign-currency loans taken by individuals or companies in Brazil. In addition to direct cross-border loans, individuals or companies in Brazil may contract onlending transactions in foreign currency with Brazilian financial institutions. The terms of the onlending transaction must reflect the terms of the underlying cross-border loan, while the interest rate charged on such cross-border loan should also be consistent with international market practices. In addition to the original cost of the transaction, the financial institution may only charge an additional onlending fee.

The entering into of cross-border credit transactions, such as the on lending operations, does not require a prior express authorization from the Central Bank, pursuant to the CMN Resolution No. 2,770, dated as at August 30, 2000.

All foreign credit operations are subject to registration with the electronic system of the Central Bank, through the so-called RDE-ROF Module. Failure to correctly inform the Central Bank of the terms of such foreign credit transactions may subject the financial institution to warnings and fines.

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 and financial savings account institutions) are allowed to carry out all types of transactions in the foreign exchange market; other agents, including development banks, financial savings account institutions, 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 positions of institutions authorized to operate in the foreign exchange market. According to the Regulations of the Foreign Exchange Market and International Capital established by the Central Bank by means of Circular 3280, of 9 March 2005, as amended, there are currently no such limits on the foreign exchange positions of Brazilian banks and financial savings account institutions authorized to operate in the foreign exchange market. However, pursuant to CMN Resolution No. 3,488 dated 29 August 2007 the total consolidated exposure of a financial institution in foreign currency and gold cannot exceed 30% of its PR.

Asset Management Regulations

Asset management was previously regulated by the Central Bank and the CVM. Pursuant to Law No. 10,198, of 14 February 2001, and Law No. 10,303, the regulation and supervision of both financial mutual funds and variable income funds were transferred to the CVM. On 5 July 2002, the CVM and the Central Bank entered into a memorandum of understanding under which they agreed on the general terms and conditions for the transfer of such duties to the CVM. The asset management industry is also self-regulated by ANBIMA (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*), which enacts additional rules and policies, especially with respect to marketing and advertising.

Only individuals or entities authorised by the CVM may act as managers of third party assets. Financial institutions must segregate the management of third-party assets from their other activities. These institutions must appoint an officer as the agent responsible for the management and supervision of such assets.

The Central Bank, except in very specific circumstances, has prohibited institutions that manage third-party assets and their affiliated companies from investing in fixed rate income funds that they also manage. The CVM allows investments in equity funds. There are specific rules regarding mutual fund portfolio diversification and composition, which aim to reduce exposure to certain types of risk.

The Central Bank issued Circular No. 3,086 of 15 February 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 at 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.

On 18 August 2004, the CVM enacted Instruction No. 409, as amended, which consolidated the rules applicable to investment funds (except for structured investment funds, which are regulated by specific rules).

Microloan Regulations

The Federal Government has adopted several measures in order to improve the lower income population's access to the national financial system. Such measures include mandatory granting of loans, streamlined banking procedures and more flexible regulations for credit unions; since 2003, commercial banks, full service banks licensed to provide commercial banking services, and the federal savings bank are required to allocate an amount equivalent to at least 2% of their on-demand deposits to loan transactions with reduced interest rates, for the low-income population, small businesses and informal entrepreneurs. The interest rates charged on such loans may not exceed 2% per month (or 4% per month in specific production financing transactions), the repayment term must not be less than 120 days, except in specific circumstances, and the principal loan amount may not exceed R$1,000 for individuals, and R$3,000 for microbusinesses (or R$10,000 for specific production financing transactions).

Regulations Designed to Ensure a Strong National Financial System

Restrictions on Risk Concentration

The regulations in effect prohibit financial institutions from extending credit to any entity or person or group of related persons in an amount equal to or in excess of 25% of the financial institution's PR. This limitation applies to any transactions involving the granting of loans, including those involving loans and advances, guarantees and subscription, purchase and renegotiation of securities.

Restrictions on Investments

Financial institutions may not:

- hold, on a consolidated basis, fixed assets exceeding 50% of their PR;
- own any real estate except for their own use; and
- acquire any equity interest in financial institutions or similar institutions abroad without the Central Bank's prior approval.

Whenever a bank receives real estate in settlement of a debt, such asset must be sold within one year. This time limit may be renewed for two additional one year periods upon Central Bank approval.

Internal Compliance Procedures

All financial institutions shall establish internal policies and procedures for controlling their activities, their financial, operational and management information systems; and for compliance, on their part, with all applicable regulations.

The executive officers of financial institutions are responsible for creating an effective internal control structure, by defining responsibilities and control procedures and setting the corresponding goals at every level of the institution. In addition, the executive officers are also responsible for verifying compliance with such internal procedures.

Such internal control system shall be monitored by an internal audit department reporting directly to the institution's board of directors. Such responsibility may also be undertaken by independent external auditors, who should not be those responsible for auditing the institution's financial statements.

Independent Auditors and Audit Committee

According to the CMN Resolution No. 3,198, dated 27 May 2004, as amended thereafter, or CMN Resolution No. 3,198, the financial statements of financial institutions shall be audited by independent auditors. Only those independent auditors who are registered with the CVM, certified in specialized banking analysis by the federal board of accountants and by IBRACON, and who meet certain requirements relating to independence may be hired. Financial institutions must replace their independent auditors once every five consecutive fiscal years. Former auditors may be rehired only three full fiscal years after they last rendered services to the relevant institution. Financial institutions must appoint an executive director with responsibility for compliance with all regulations pertaining to financial statements and audits.

In accordance with the applicable regulations, we changed our independent auditors as of the fiscal year beginning on 1 January 2005. Until then, we were audited by Deloitte Touche Tohmatsu Auditores Independentes, and we are now audited by KPMG Auditores Independentes.

In addition to preparing an audit report, the independent auditors must prepare a report on the financial institution's internal controls, indicating any deficiencies identified and a description of any noncompliance by the financial institution with such pertinent regulations applicable to the financial institution's financial statements or activities.

Furthermore, there is a specific rule in the CMN Resolution No. 3,198, establishing that all financial institutions (1) whose PR is equal to or greater than R$1.0 billion, (2) who manage third party assets in an amount equal to or greater than R$1.0 billion, or (3) who manage assets and receive deposits from third party in an aggregate amount equal to or greater than R$5.0 billion must set up an audit committee. The audit committee must be governed by the financial institution's bylaws and comprise at least three individuals, and should report directly to the board of directors or, where there is none, to the board of executive officers.

The independent auditors and audit committee, if applicable, must notify the Central Bank immediately of any event that may have a substantial adverse effect on the institution's financial condition, including any material violation of applicable regulations.

In general terms, the audit committee's duties are to take certain measures and to perform certain functions, in order to ensure compliance of the financial institution with the applicable accounting regulations. Entities subject to CMN Resolution No. 3,198 were required to establish audit committees until 1 July 2004. As we are not required by Resolution No. 3,198, we currently do not maintain an audit committee. Our bylaws set forth that the hiring and removal of independent auditors are subject to the board of directors' approval.

Auditing Requirements

Brazilian legislation requires that financial institutions prepare their financial statements according to certain provisions of the Brazilian Corporations Law, Central Bank regulations and other applicable regulations. In addition, our financial statements, since we are a financial institution, must be audited once every six months. Quarterly financial information is subject to independent auditors' review.

Ombudsman Office (Ouvidoria)

CMN Resolution No. 3,477, of 26 July 2007, as amended by CMN Resolution 3,489, of 29 August 2007, or CMN Resolution No. 3,477, establishes that financial institutions and other entities authorized to operate by the Central Bank are required to create an ombudsman office, independent from internal audit, and compatible with the nature and complexity of their products, services, activities, processes and systems, or the Ombudsman Office. The Ombudsman Office needs to meet the requirements set forth in Resolution No. 3,477, taking into account efficiency in responding to clients' complaints and opinions, internal handling of deficiencies identified in operating processes, staff training, semi-annual reporting to the Central Bank, and adding value to the Bank's business and internal control through appropriate reporting to senior management on the nature of these demands.

Pursuant to in CMN Resolution No. 3,477, the by-laws of financial institutions shall provide for:(a) the duties of the Ombudsman Office; and (b) the express commitment of the financial institution to create conditions to permit the Ombudsman Office to operate transparently, independently, impartially and objectively, and ensure the Ombudsman Office's access to information to prepare replies to the complaints received.

CMN Resolution No. 3,477 sets forth that financial institutions are required to appoint an ombudsman and an officer responsible for the Ombudsman Office before the Central Bank, provided that the following requirements are complied:

- the officer responsible for the Ombudsman Office is authorized to hold another position at the financial institution, except for the position as officer responsible for managing third-party funds;

- in case of full-service banks, commercial banks, savings and loans banks, leasing companies, and credit, financing and investment companies, the ombudsman cannot hold any other position in the financial institution, except for the position as officer responsible for the Ombudsman Office;

- if the same person is appointed to both the ombudsman and the Ombudsman Office's officer positions, such person is prohibited from holding any other position in such financial institution;

- the information data about the officer responsible for the Ombudsman Office and the ombudsman must be inserted into the UNICAD system (information system on entities under the supervision of the Central Bank);

- the officer responsible for the Ombudsman Office before the Central Bank shall be responsible for the financial institution's compliance with the consumer rights provided for in the Brazilian laws and regulations.

Capital and Shareholders' Equity Adequacy Guidelines

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 Basle Accord. The requirements imposed by the Central Bank differ from the Basle 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 Basle 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 29 August 2007 and Central Bank Circular No. 3,383 of 30 April 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 1 July 2008, and the required portion of their equity varies from 12% to 18% of amounts representing averages of income arising from financial intermediation and rendering of services.

In accordance with CMN Resolution No. 3,444, the PR 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 29 August 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 20 December 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 and debt contracts (as defined in CMN Resolution No. 3,444), 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 PR on a consolidated basis. Since 2 July 2007, the balance of assets represented by shares, hybrid instruments, subordinated debt and other Level 1 and 2 financial instruments have been deducted from PR. In addition, the following will be deducted from PR: (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.

In addition to minimum capital and shareholders' equity requirements, financial institutions must also maintain a level of PR 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. Pursuant to the Central Bank Communicate No. 16,137 of 27 September 2007, the recommendations of Basel II will be implemented until December 2012 in five phases, one year each.

CMN Resolution No. 3,380, issued on 29 June 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. CMN Resolution No. 3,464 of 26 June 2006 sets forth the procedures for the implementation of a market risk internal structure. CMN Resolution No. 3,444, as amended by Resolution 3,532 of 31 January 2008, defines PR and establishes the procedures for its measurement. CMN Resolution 3,488 of 29 August 2007 sets forth the limits for the total exposure of financial institutions in gold, foreign currency and transactions subject to foreign exchange variation. CMN Resolution No. 3,490 of 29 August 2007 provides for capital measurement and standards methodology based on a weighted risk asset ratio.

We are currently in compliance with all regulations issued by the CMN and the Central Bank aiming at achieving the principles established by Basel II.

Accounting Procedures Relating to the Sale or Transfer of Liquid Assets

Following the Basel II recommendations, CMN Resolution No. 3,533 of 31 January 2008 and CMN Resolution No 3,673 of 26 December 2008, set forth that the financial institutions will be required after 1 January 2010 to adhere to certain rules with regard to transactions of sale and transfer of liquid assets. Such rules state that financial institutions must write a liquid asset off when the contractual rights relating to the cash flow of the liquid asset expire and in other cases specified in such rule. CMN Resolution No. 3,533 specifies that financial institutions must classify the sale or transfer of liquid assets for accounting purposes under one of the following categories: (i) transactions involving substantial transfer of risks and benefits; (ii) transactions involving substantial retention of risks and benefits; or (iii) transactions without substantial transfer or retention of risks and benefits.

CMN Resolution No. 3,533 states that each institution is responsible for evaluating the transfer or retention of risks and

Capital Structure

Financial institutions, except credit cooperatives, must be organized as stock companies. Other institutions authorized to operate by the Central Bank, which are equivalent to financial institutions, such as brokers and securities dealers, may be organized as limited liability companies. As stock companies, financial institutions are subject to all provisions of the Brazilian Corporations Law and, if they are registered as publicly held companies, to CVM supervision and regulations as well.

Financial institutions may divide their capital into voting and non-voting stocks, provided that non-voting stocks may not exceed 50% of their share capital.

Rating of Loan Transactions and Provision for Doubtful Debtors

According to the CMN Resolution No. 2,682/99, financial institutions are required to rate their commercial loans in ascending order, at the following levels: AA, A, B, C, D, E, F, G or H, depending on the risk of such transactions. Credit ratings are determined in accordance with the Central Bank's criteria, which takes into consideration:

- the debtor's and guarantor's characteristics, such as their economic and financial situation, indebtedness level, capacity to generate results, cash flow, management and the quality of their controls, punctuality and delayed payments, contingencies and credit limits; and

- the characteristics and terms of the transaction, such as its nature and purpose, sufficiency of collateral, liquidity level, and total loan amount.

There is a similar rating system concerning loan transactions with individuals, composed by nine categories. In this case, the credit is rated on the basis of personal information, including, among other things, the individual's income, net worth and credit history.

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.

Furthermore, financial institutions are required to make their credit rating and lending policies and procedures available to the Central Bank and their independent auditors. In addition, in an explanatory note to the financial statements, they must include information concerning their loan portfolio, such as:

- breakdown of transactions according to type of customer and business activity;
- loan maturities distributed in ranges;
- loan amounts subject to renegotiation, write-off and recovery;
- breakdown of loan portfolio according to risk category; and
- defaulted loans.

The Central Bank's Credit Risk Sector

Financial institutions are required to provide information to the Central Bank regarding loans granted and guarantees provided to customers. The scope of this requirement is:

- to strengthen the Central Bank's supervisory capacity;
- to provide to other financial institutions information with respect to debtors (the other institutions may merely access such information upon the customer's authorization); and
- to prepare macroeconomic analysis.

In case the total of a customer's transactions exceeds R$5,000.00, the financial institution shall provide the following to the Central Bank:

- the customer's identity;
- the customer's itemized transactions, including any guarantees provided by the bank with respect to the customer's obligations; and
- information on the customer's credit risk rating based on the credit rating policy described above.

For transactions with aggregate amount equal to or less than R$5,000.00, the financial institution shall report only the total amount of transactions, separating the liabilities between individuals and companies.

Anti-Money Laundering Legislation and Banking Secrecy

Law No. 9613, of 3 March 1998, or Money Laundering Law, plays a major role in relation to those engaged in banking and financial activities in Brazil. The Money Laundering Law sets forth the definition and the penalties to be incurred by persons involved in activities that comprise the "laundering" or concealing of property, rights and assets, as well as preclusion on using the financial system for these illicit acts.

The Money Laundering Law also created the Financial Activity Control Council, or COAF, which is the entity responsible for applying administrative fines, and receiving, examining and identifying the suspicion of the illegal activities provided for by the Money Laundering Law.

Financial institutions are required, among other things, to:

- identify and maintain data on all clients;
- keep a file on all transactions performed by such clients, which exceed the limits set forth by the competent authority, for a 5-year period;
- comply with all requests of COAF; and
- inform the competent authorities (without the clients' knowledge) of any transaction which involves an amount which exceeds the limit set forth by the competent authorities.

On 24 July 2009, the Central Bank issued Circular 3,461, or Circular 3,461, which revoked Circular 2,852, of 3 December 1998, and consolidated the procedures to be complied with by financial institutions in order to prevent the crimes set forth in the Money Laundering Law, or Money Laundering Crimes. Circular 3,461 sets forth requirements to be complied with by financial institutions related to (a) internal policies and controls systems, (b) record of customer information, (c) record of financial services and transactions, (d) record of checks and transfer of funds, (e) record of prepaid cards, (f) record of handling of resources in excess of R$100,000, and (g) report of material information to COAF.

Internal Policies and Controls Systems

Financial institutions shall develop and implement internal policies and control systems that: (a) indentify the responsibilities of the members of each of the hierarchical levels of the financial institutions; (b) contemplate collection and registration of information systems that shall timely enable the identification of transactions that may constitute 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 the Money Laundering Crimes. In addition, such internal policies and control systems shall encompass measures that shall enable financial institutions to (a) confirm the costumer identification; (b) indentify the final beneficiary of the transactions; and (c) indentify the politically exposed persons.

According to Article 4 of Circular 3,461, of 24 July 2009, a politically exposed person is an individual who performs or has performed, in the last 5 years, relevant public positions, jobs or functions, in Brazil or in other countries, territories and foreign dependencies, as well as their representatives, relatives and other people closely related to him. Circular 3,461, of 24 July 2009, provides for further details to be complied with by financial institutions with respect to the identification of a politically exposed person.

Record of Customer Information

The identification of individuals and legal entities must be recorded in a regularly updated customer information file, at least on an annual basis, pursuant to Circular 3,461. All files may be stored either physically or electronically. Circular 3,461 provides for different levels of record requirements by financial institutions depending on the type of relationship maintained with the costumer, if on occasional or on permanent basis.

Record of Financial Services and Transactions

Financial institutions must record all the financial services rendered to or financial transactions entered with their customers. The information about the financial services shall be recorded in order to enable them to identify: (a) if the relevant resources are compatible with the financial and economic conditions of the customer; (b) the origin of the resources; and (c) the ultimate beneficiary of the resources. The record system of financial transactions must enable the identification of (a) transactions conducted by a person, group of persons or corporate group, separately or jointly, in excess of R$10,000 per month; and (b) transactions that may constitute, in view of their frequency, amount or structure, a way to avoid the identification, control and record mechanisms of the financial institutions.

Record of Checks and Transfer of Funds

The information about checks and transfers of funds must be recorded in order to enable the Financial Institutions to identify: (a) transactions involving receipt of deposits by virtue of electronic transfer of amounts, wire transfer, check, bank check and other documents with equivalent nature, as well as set-off checks deposited in other financial institutions; and (b) transactions involving the issuance of checks and bank checks, wire transfer, electronic transfer of amounts and document of credit in excess of R$1,000.

Record of Prepaid Cards

Financial institutions shall record information about cards with a function to receive charge or recharge of amounts, in national or foreign 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: (a) the issuance or recharge of values, in one or more prepaid cards, in amounts of or in excess of R$100,000, or any equivalent amounts in other currencies, per month; and (b) the issuance or recharge of values in prepaid cards that may evidence conceal or disguise 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, withdrawal in cash, withdrawal in cash by means of prepaid cards and request of withdrawal provisioning in order to enable the identification of: (a) deposits in cash, withdrawal in cash, withdrawal in cash by means of Prepaid Cards and request of withdrawal provisioning in amount of or in excess of R$100,000; (b) deposits in cash, withdrawal in cash, withdrawal in cash by means of prepaid cards and request of withdrawal provisioning that may evidence conceal or disguise of the true nature, origin, location, disposition, movement, or ownership of assets, rights and valuables; and (c) issuance of bank check, electronic transfer of amounts or any other instrument of transfer of funds that comprise payment in cash in amounts of or in excess of R$100,000.

Report of Material Information to COAF

Financial institutions must report COAF, without the knowledge of the relevant client, the occurrence of the following events or proposals leading to such events:

- the issuance or recharge of values, in one or more prepaid cards, in amounts of or in excess of R$100,000, or any equivalent amounts in other currencies, per month; and
- deposits in cash, withdrawal in cash, withdrawal in cash by means of prepaid cards and request of withdrawal provisioning in amount of or in excess of R$100,000.

Additionally, the financial institutions shall report to COAF the occurrence of the following events or proposals leading to such events:

- transactions or services (i) in amounts of or in excess of R$10,000; and (ii) that may evidence the existence of the Money Laundering Crimes in view of the parties thereto, their structure and lack of legal and economic support;
- transactions and services that may constitute, in view of their frequency, amount or structure, a way to avoid the identification, control and record mechanisms of the financial institutions;

- transactions of and services rendered to any person that has perpetrated or intended to perpetrate terrorist acts, or that has participated on or facilitated the perpetration of such acts, as well as the existence of resources owned by such person or, otherwise, directly or indirectly controlled by him; and
- acts that may constitute terrorism financing.

The records referred to above must be kept for at least five years or ten years depending on the information.

Failure to comply with any of the obligations indicated above shall subject the financial institution and its officers and directors to penalties that vary from the application of fines (between 1 % and 100% of the transaction amount or 200% over any profit generated by the same), to the declaration of its officers and directors as ineligible to exercise any position at a financial institution and/or the cancellation of the financial institution's operating license. The Money Laundering Law establishes that employees are subject to criminal penalties if they facilitate or participate in money laundering activities. According to article 1, paragraph 2, I, of the Money Laundering Law, the same penalty (imprisonment for 3 to 10 years, plus fine) applies to a person who uses, in the economic or financial activity, assets, right or valuables, knowing that they 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; and (iv) as to the occurrence or suspicion that criminal or administrative illegal acts have been performed, financial institutions and the credit card companies may provide the competent authorities with information relating to such criminal acts. Supplementary Law No. 105/01 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.

Law Against Tax Evasion

According to Decree No. 3,724, dated 10 January 2001, which regulates the banking secrecy law, the federal revenue office may request information generally protected by bank secrecy from financial institutions without a court order, provided that there is an ongoing inspection procedure and any of the following situations, among others, occurs:

- underestimation of transaction amounts, including foreign trade, acquisition or divestment of assets or rights, based on the corresponding market values;
- loans from nonfinancial corporate entities or individuals, when the borrower fails to prove effective receipt of the funds;
- undertaking any transaction involving "tax havens;"
- omitting net income or gains arising from fixed or variable income financial investments;
- undertaking tax deductible transactions, without due enrolment in the appropriate taxpayers register; and
- preliminary evidence of crimes committed against the tax system.

Regulations Affecting Liquidity in the Financial Markets

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 3 March 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 S.A., 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 S.A., 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 17 December 2008, the CMN amended the by-laws of the *Fundo Garantidor de Crédito*, or 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 17 January 2002. The FGC may sell any assets acquired in transactions described in items (i), (ii) and (iii) of this paragraph.

Reserves and other 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, including:

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

The Central Bank enacted Circular No. 3,407 on 2 October 2008, Circular No. 3,411 on 13 October 2008, Circular No. 3,414 on 15 October 2008 and Circular No. 3,417 on 30 October 2008, which permitted financial institutions that acquire credit portfolios from small- and mid-sized financial institutions (i.e., those institutions with a PR of up to R$7 billion on 31 August 2008) to deduct the amount of the acquisition from up to 70% of the reserves and compulsory deposits that such financial institution must maintain with the Central Bank provided that such acquisitions were limited to 20% of the total amount of credit portfolios acquired. The aforementioned regulations also permitted financial institutions to 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 FIDCs; (iv) shares in FIDCs organized by the FGC; and (v) interbank deposits of unrelated financial institutions. However, such regulations were revoked by Circular 3.427, of 19 December 2008, which limited to the acquisition of assets and interbank deposits occurred until 31 March 2009 the deduction from the reserves and compulsory deposits of financial institutions. In addition, Circular 3,468, of 28 September 2009 amended Circular No. 3,091, of 1 March

2002 and Circular 3.427, of 19 December 2008 and provided for, among other things, a restriction for financial institutions to deduct the amount of the acquisition of credit portfolios from mid-sized financial institutions (i.e., those institutions with a PR from R$2.5 billion to up to R$7 billion on 31 August 2008) from their reserves and compulsory deposits as from the calculation period of 21 September 2009 until 25 September 2009. Therefore, only financial institutions that acquired credit portfolios from small-sized financial institutions (i.e., those institutions with a PR of up to R$2.5 billion on 31 August 2008) until 31 March 2009 are currently permitted to deduct the amount of the acquisition from the reserves and compulsory deposits that such financial institution in accordance with the aforementioned regulations.

On 24 October 2008 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 6 October 2008, the President of Brazil sanctioned Provisional Measure No. 442 (which became law through the enactment of Law No. 11,882 of 23 December 2008), which is regulated by CMN Resolution No. 3,622 of 9 October 2008 (as amended by several CMN Resolutions) Circular No. 3,409 of 10 October 2008 and Circular No. 3,418 of 4 November 2008 (as amended by Circular 3,444 of 25 March 2009 and Circular 3,452 of 17 April 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.

Some of the current types of reserves required under Brazilian law include:

Demand Deposits. Pursuant to Circular No. 3,274 of 10 February 2005, as amended by Circular No. 3,323 of 30 May 2006 and Circular No. 3,413 of 14 October 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 24 June 2002 and Circular No. 3,130 of 27 June 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 8 February 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 11 October 2002, as amended, 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 (or SBPE). CMN Resolution No. 3,634 of 13 November 2008, allows financial institutions to use securities issued by the Brazilian federal government to satisfy this additional reserve requirement.

Time Deposits. Pursuant to Circular No. 3,091, of 1 March 2002, as amended by Circular No. 3,127, of 14 June 2002, Circular No. 3,262, of 19 November 2004, Circular No. 3,427 of 19 December 2008, Circular 3,468, of 28 September 2008, and Circular No. 3,468, of 28 September 2009, all of them enacted by the Central Bank, 13.5% of financial institutions' time deposits and certain other amounts in excess of R$2.0 billion are subject to reserve requirements. 45% of the amounts subject to such reserve requirement shall be held in the form of Brazilian government securities registered in the SELIC system. At the end of each day, the amount of such securities shall be equivalent to 100% of the applicable reserve requirement. The remaining portion of the time deposits and certain other amounts subject to such reserve requirement shall be deposited in cash on a non interest bearing basis.

Additional Reserve Requirement (Demand Deposits, Saving Accounts and Time Deposits). On 14 August 2002, the Central Bank, by means of Circular No. 3,144, as amended by Circular No. 3,157 of 11 October 2002, and Circular No. 3,426 of 19 December 2008, established an additional reserve requirement on deposits captured by multiple-service banks, investment banks, commercial banks, development banks, credit, financing and investment companies, real estate companies and savings and loan associations.

Pursuant to such regulations, the aforesaid entities are required to reserve, on a weekly basis, the cash equivalent to the sum of the following amounts in excess of R$1.0 billion: (i) 4% 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) 5% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement. The reserve requirement must be complied with by means of the investment of such amounts in Brazilian government securities registered in the SELIC system. At the end of each day, the balance in such account shall be equivalent to 100% of such additional reserve requirement.

Deposits and Guarantees. Pursuant to Circular 3,090 of March 1st, 2002, financial institutions are required to deposit with the Central Bank, on a non interest bearing basis, an amount in cash equivalent to 45.0% of the amounts corresponding to the sum of the average balance of (a) deposits made by individuals or legal entities domiciled abroad, compulsory deposits and deposits invested in Brazilian government securities in excess of R$2.0 billion, and (b) agreements with assumption of obligation related to transactions carried out in Brazil and guarantees granted by them (*garantias realizadas*) in excess of R$2.0 billion. At the end of each day, the balance in such account shall be equivalent to at least 100% of the reserve requirement for the respective calculation period, which begins on Monday of one week and ends on Friday of the next following week. In addition, 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 impose these requirements again or impose similar restrictions in the future.

Taxes on Financial Transactions

Financial transactions in Brazil are generally subject to income tax and to tax on financial transactions, or IOF, apart from the normal imposition of the corporate income taxes and other social contributions at the level of the Brazilian legal entity making the investment.

The income tax assessed on the income received on financial transactions by Brazilian residents generally depends on: (i) the type of investment (fixed or variable income, as defined by Brazilian law; variable income investments usually treated more favorably); and (ii) the term of the investment (long-term investments usually have a more favorable treatment). The income tax assessed on income deriving from financial transactions (a) is considered for Brazilian legal entities as an advance payment of the corporate income tax due by them and (b) is definite for individuals that are Brazilian residents. Investments in Brazilian financial and capital markets by individuals or legal entities resident or domiciled abroad are generally subject to the same taxation rules applicable to Brazilian residents, except for foreign investments made in accordance with the rules set forth by the CMN, which currently benefit from a favourable taxation regime.

Tax on Financial Transactions (IOF)

IOF is a tax levied on foreign exchange, securities/bonds, credit and insurance transactions. The IOF rate may be changed by an executive decree (rather than a law). An executive decree increasing the IOF rate would take effect from its publication date.

Pursuant to Decree No. 6,306 of 14 December 2007, as amended, or Decree No. 6,306, foreign exchange transactions are subject to the IOF, or IOF/*Câmbio*. Under the IOF regulations currently in force, the Minister of Finance is empowered to establish the applicable IOF/*Câmbio* rate. The IOF/*Câmbio* rate can be increased at any time up to a rate of 25%. The abovementioned Decree, as amended, sets out that the current general IOF/*Câmbio* is 0.38%, although there are some exceptions, such as:

(i) foreign exchange transactions in connection with loans with a minimum average term not exceeding 90 days, which are subject to IOF/*Câmbio* at a 5.38% rate;

(ii) 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/*Câmbio* rate of 2.38% is applicable foreign exchange transactions related to the export of goods and services, in which case the rate is 0%;

(iii) foreign exchange transactions for the inflow of funds by non-residents of Brazil related to investments made in the Brazilian financial and capital markets, in which case the IOF/*Câmbio* rate is 2%;

(iv) foreign exchange transactions related to the outflow of funds related to investments made by non-residents of Brazil in the Brazilian financial and capital markets, in which case the IOF/*Câmbio* rate is 0%;

(v) foreign exchange transactions for the remittance of interest on net equity and dividends earned by foreign investors in connection with the investments mentioned in item (iv) above, in which case the IOF/*Câmbio* rate is 0%, and

(vi) foreign exchange transactions for the inflow and outflow of funds related to external credits obtained as from October 23, 2008, in which case the IOF/*Câmbio* rate is 0%.

The IOF tax may also be levied on transactions involving bonds or securities, including transactions carried out on Brazilian stock, futures or commodities exchanges, or IOF/*Títulos*. Currently, IOF/*Títulos* is assessed on transactions consisting of the acquisition, assignment, repurchase or renewal of fixed-income investments or the redemption of bonds and securities. The maximum rate of IOF/*Títulos* payable in such cases is 1.0% per day and decreases with the length of the transaction, reaching zero for transactions with maturities of at least 30 days. The Minister of Finance, however, has the legal authority to increase the rate to a maximum of 1.5% per day of the amount of the taxed transaction, during the period in which the investor holds the securities, but only to the extent of the gain realized on the transaction and only from the date of its increase or creation. Additionally, the rate for the following types of transactions is currently 0%:

(i) transactions carried out by financial institutions and other institutions chartered by the Central Bank as principals

(ii) transactions carried out by mutual funds or investment pools themselves;

(iii) transactions carried out in the equity markets, including those performed in stock, futures and commodities exchanges and similar entities;

(iv) redemptions of shares in equity funds; and

(v) transactions carried out by governmental entities, political parties and worker's syndicates.

IOF also applies to credit transactions, except for foreign credit, in which case IOF/Câmbio will apply. IOF levied on credit transactions is usually assessed at a daily rate of 0.0041%, up to a limit of 1.5%. Additionally, an IOF surtax of 0.38% is currently applicable to most of the credit transactions, regardless of the term for the transaction maturing.

Additionally, IOF tax is levied, among other, on the payment of premium in connection with insurance transactions at a rate of: (i) 0% in reinsurance, export credits or international transport of goods and life insurance plans with coverage for survival transactions:(ii) 0.38% of premiums related to life insurance plans without coverage for survival, among others; (iii) 2.38% in the case of private health insurance; and (iv) 7.38% for other types of insurance. Rural insurance, among certain other specific insurance transactions, is exempt from IOF.

Taxation of Brazilian Corporations

Brazilian corporate income tax is made up of two components, a federal income tax and social contribution on taxable profits, or the social contribution on net profits. In turn, the federal income tax includes two components: a federal income tax and an additional income tax. The federal income tax is assessed at a combined rate of up to 25% of adjusted net income (the normal rate for Brazilian legal entities is 15% plus 10% for legal entities with annual profits exceeding R$240,000). The social contribution on net profits is currently assessed at a rate of 15% for financial institutions pursuant to Law No. 11,727, of 23 June 2008, or Law No. 11,727/2008.

Companies are taxed based on their worldwide income rather than on income produced solely in Brazil. Therefore, profits, capital gains and other income obtained abroad by Brazilian entities will be computed in the determination of their net profits. In addition, profits, capital gains and other income obtained by foreign branches or income obtained from subsidiaries or foreign corporations controlled by a Brazilian entity will also be computed in the calculation of such entity's profits, in proportion to its participation in such foreign companies' capital. The Brazilian entity is allowed to deduct any income tax paid abroad, up to the amount of Brazilian income taxes imposed on such income

As at 1 January 2002, Provisional Measure No. 2,158-35 determined that such profits, capital gains and other income obtained abroad by a controlled or affiliate company shall be subject to taxation on an accrual basis by the Brazilian entity on December 31 of every taxable year, unless the Brazilian entity is liquidated before the date of its year-end balance sheet, in which case the profits are taxed at the time of its liquidation.

Dividends paid by Brazilian legal entities and deriving from profits generated as from 1 January 1996 out of after-tax profits are not subject to withholding income tax when paid, nor to corporate income tax or individual income tax on the person receiving the dividend. However, as the payment of dividends is not tax deductible for the company distributing them, there is an alternative regime for shareholder compensation called "interest on equity" which allows companies to deduct any interest paid to shareholders from net profits for tax purposes.

Law No. 9,249, of 26 December 1995 allows a corporation to deduct from its net profits for corporate income taxes purposes any interest paid to shareholders as remuneration of the shareholders' equity called "interest on net equity" or "interest on shareholder's capital." These distributions may be paid in cash. The interest is calculated on the net equity accounts in accordance with the daily pro rata variation of the long term interest rate - TJLP, as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50% of the net income (before the federal income tax provision and the deduction of the interest amount attributable to shareholders) related to the period in respect of which the payment is made; or

- 50% of the sum of retained profits and profits reserves as at the date of the beginning of the period in respect of which the payment is made.

Any payment of interest to shareholders is subject to withholding income tax at the rate of 15%, or 25% in the case of a shareholder who is domiciled in a "tax haven" jurisdiction. These payments may be qualified, at their net value, as part of any mandatory dividend.

Tax losses carried forward are available for offset up to 30% of the annual taxable income. No time limit is currently imposed on the application of tax losses to offset future taxable income.

Two federal contributions are imposed on the gross revenues of corporate entities: the *Programa de Integração Social*, or the PIS, and the *Contribuição para Financiamento de Seguridade Social*, or COFINS.

Since September 2003, the PIS and COFINS have been imposed on financial institutions' gross revenues at a combined rate of 4.65%, but some specific costs, such as funding cost, are authorized to be deducted from the PIS and COFINS taxable bases. Nonetheless, certain revenues, such as dividends, equity pick-up, revenues from the sale of fixed assets and export revenues paid in foreign currency are not included in the taxable basis for PIS and COFINS.

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 are subject to withholding income tax. The rate of withholding income tax is generally 15%, unless: (i) the beneficiary is resident or domiciled in a "tax haven" jurisdiction, 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 3 December 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.

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 rate lower than 20%, or where the laws do not allow the identification of the ownership composition or securities ownership or the effective beneficiary of the income attributed to non-residents.

Law No. 11,727/2008 has changed the scope of transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a "privileged tax regime". Pursuant to Law No. 11, 727/2008, a jurisdiction or territory will be considered a privileged tax regime if it (i) does not tax income or taxes it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Because several Brazilian regulations refer to the concepts defined in the Brazilian transfer pricing rules when referring to tax haven jurisdictions, there is a risk that a privileged tax regime will be treated similarly to a tax heaven jurisdiction, and therefore the concept could be extended to the burdensome income tax rates.

Rules Concerning the Relationship between Financial Institutions and Customers

The relationship between financial institutions and their customers is generally regulated by legislation on commercial transactions and by the Brazilian civil code. However, regulations set by the CMN and the Central Bank address specific issues concerning banking activity and contracts, and are supplemental to general regulations.

The Consumer Protection Code and Banking Consumer Protection Code

On 26 March 2009, CMN Resolution 3,694 expressly revoked CMN Resolution No. 2,878 of 26 July 2001 and CMN Resolution No. 2,892 of 27 September 2001, which established procedures with respect to the settlement of financial transactions and to services provided by financial institutions to customers and the public in general. CMN Resolution 3,694 sets out new rules with the purpose of avoiding risks in the contracting operations and providing services by financial institutions and other institutions authorized to operate by the Central Bank. According to such rules, financial institutions must reflect, in their internal control and risk management systems, the adoption and verification of procedures in contracting operations and in providing services that will ensure:

- the supply of required information necessary to the free choice and decision making by their clients and users, including making explicit the contractual clauses or practices that imply duties, responsibilities and penalties, and providing in a timely manner copies of contracts, receipts, balance sheets, proofs and other documentation related to the operations and services rendered; and

- the utilization of clear, objective and adequate (to the nature and complexity of the operation or service provided) language in contracts and documents, in order to allow the proper understanding of its contents and identification of deadlines, amounts, costs, fines, dates, locations and other conditions.

Financial institutions must also provide in their premises and in the premises where their products are offered visible written information related to the events which may cause the refusal of payment or the reception of checks, compensation receipts, documents, including charging, bills and others. Financial institutions are prohibited to refuse or to make difficult to the clients or users of their products and services, the access to conventional customer support channels, including bank tellers, ATMs, even in the case of offering alternative or electronic customer support. The option for providing services through alternative service channels is permitted, as long as the required measures to preserve the integrity, reliability, security and privacy or transactions are adopted and the legitimacy of the services rendered with regard to clients and users rights is guaranteed, being the institution required to inform their clients and users about the existing risks.

In addition to the aforementioned procedures, the Federal Supreme Court decided on 7 June 2006 that relationships between consumers and financial institutions are to be regulated by Law No. 8,078 of 11 September 1990, or the Brazilian Consumer Defense Code, which ensures consumers certain prerogatives that facilitate their defense in courts, such as the imposition of the reverse burden of proof, and defines limits to bank interest rates deemed to be abusive. Therefore, financial institutions must fully comply with the measures set for them in the Brazilian Consumer Defense Code.

Rules Applicable to Situations of Insolvency

The program for encouraging restructuring and strengthening of the national financial system (*Programa de Estímulo à Restruturação e ao Fortalecimento do Sistema Financeiro Nacional*), or PROER, created by Law No. 9,710 dated 19 November 1998, and regulated by the CMN Resolution No. 2,208 of 3 November 1995, as amended, and by Central Bank Circular No. 2,633, dated 16 November 1995, aims to ensure the liquidity and solvency of the national financial system and safeguard the interests of depositors and investors. This program is implemented by means of administrative, operational and corporate reorganizations, resulting in the transfer of shareholding control of the financial institution or in modifications of its corporate purpose to a corporate purpose not exclusive of financial institutions.

Access to the PROER is confined to multi-service banks, commercial banks, investment banks, development banks, savings banks, loan, financing and investment companies and real estate loan companies which: (1) have acquired the shareholding control of one of these institutions; (2) transfer their shareholding control; or (3) assume rights and/or obligations of any of these institutions.

Intervention, Administrative Liquidation and Bankruptcy

Financial institutions are subject to the proceedings established by Law No. 6,024 of 13 March 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 at 9 February 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.

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, or 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.

Reimbursement of Creditors upon 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 29 June 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 3 March 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.

Brazilian Payment and Settlement System

In December 1999, the Federal Government issued new rules for the settlement of payments in Brazil, based on the guidelines adopted by the BIS. After a test period and gradual introduction, the Brazilian Payment and Settlement System went into operation in April 2002. The Central Bank and the CVM are empowered to regulate and supervise this system.

According to such rules, new clearinghouses may be created, and all clearinghouses are required to adopt procedures designed to reduce the possibility of systemic crises and lower the risks presently faced by the Central Bank. The key principles of the Brazilian Payment and Settlement System are:

- the existence of two major payment and settlement systems: (1) gross settlements in real time, using the reserves deposited with the Central Bank, and (2) deferred net settlements through clearinghouses;

- clearinghouses, with a few exceptions, are responsible for the payment orders accepted by them; and

- bankruptcy laws do not affect either the payment orders made through clearinghouse credits or the guarantee provided to secure such orders. However, under bankruptcy laws, clearinghouses hold ordinary credits against any participant.

The systems integrated by the Brazilian clearing systems are responsible for creating safety mechanisms and rules to control risks and contingencies, for loss sharing among market players, for directly executing the players' positions, for performance of their contracts, and enforcement of guarantees held in custody. In addition, the clearinghouses and settlement service providers deemed important to the system are required to reserve a part of their assets as collateral for the settlement of transactions.

Under such rules, the responsibility for settling a transaction is assigned to the clearinghouses and settlement service providers in charge of the transaction. Once a financial transaction is submitted for clearing and settlement, these generally become an obligation for the settlement and clearinghouse, and the transaction is no longer subject to the risk of bankruptcy or insolvency by the market player that submitted it for clearing and settlement.

Financial institutions and other Central Bank accredited institutions are also required to create mechanisms for liquidity risk identification and prevention in accordance with certain procedures established by the Central Bank. In accordance with such procedures, the institutions must:

- maintain and document risk measurement criteria and liquidity mechanisms for their respective management;

- analyze economic and financial data in order to evaluate the impact of different market situations on the institution's liquidity and cash flow;

- prepare reports that allow the institution to monitor liquidity risks;

- identify and evaluate mechanisms to reverse such positions as might threaten the institution economically and financially, and obtain the necessary funds for making such reversal;

- adopt systems controls and test them periodically;

- promptly provide the institution's management with any available information and analysis regarding any identified liquidity risk, including any conclusions or corrective actions adopted in connection therewith; and

- develop contingency plans for managing liquidity crisis situations.

Foreign Investment and the Federal Constitution

Foreign Capital in the Brazilian Financial System

The federal constitution currently prohibits foreign financial institutions from establishing new branches and individuals and legal entities domiciled abroad from increasing their interest in the capital of financial institutions based in Brazil unless they are duly authorized by the Federal Government and subject to the interest of the Brazilian government. A foreign financial institution duly authorized to operate in Brazil through a branch or subsidiary will be subject to the same rules, regulations and requirements that apply to any Brazilian financial institution.

Foreign Investment in Brazilian Financial Institutions

In line with Article 192 of the Federal Constitution and Article 52 of the Act of Temporary Constitutional Provisions, foreign individuals or companies may invest in voting stocks of Brazilian financial institutions only if they have a specific authorization from the Federal Government.

Foreign investors may acquire non-voting preferred stocks in Brazilian financial institutions traded in a stock exchange, including preferred shares, or depositary receipts representing non-voting preferred stocks offered abroad, regardless of any specific authorization, pursuant to an unnumbered presidential decree dated 9 December 1996.

Insurance Industry

The Brazilian Private Insurance System was established by Decree-Law No. 73/66, and is composed by the National Council of Private Insurance (*Conselho Nacional de Seguros Privados*), or CNSP, SUSEP, insurance companies, reinsurance companies and accredited insurance brokers.

The CNSP is composed by members appointed by several public entities. Pursuant to Decree-Law No. 73/66, as amended, CNSP has the powers to set the guidelines and rules that are applicable to policies regarding private insurance and to regulate the creation, organization, operation and inspection of insurance companies, reinsurance companies and insurance brokers, among other entities that are subject to Decree-Law No. 73/66, in addition to the other legal duties set forth therein.

The SUSEP, in turn, is an autonomous federal government entity with powers to implement the policies established by the CNSP and to supervise the insurance industry. The performance of these duties entails, among other duties established by Decree-Law No. 73/66, (1) the analysis of applications for permits for operation, restructuring, merger, transfer of ownership and amendment to bylaws of insurance companies, (2) the rendering of opinions on such applications for permits, (3) creation of rules regarding insurance transactions, pursuant to the policies of the CNSP, (4) determination of policy terms, special coverage and operating methods to be used by insurance companies, and (5) approval of operating limits of insurance companies.

The IRB is a mixed-capital company. 50% of its capital belongs to the National Treasury and the other 50% belongs to insurance companies and other shareholders. Until the enactment of Supplementary Law No. 126, dated 15 January 2007, the IRB was engaged in promoting the development of the Brazilian reinsurance market, in line with the policies of the CNSP, with governing powers over such market. Subsequently to the enactment of Supplementary Law No. 126/07, whose primary purpose was to open the Brazilian reinsurance market, the IRB was turned into a local re-insurer, and the powers to regulate and to inspect the newly competitive reinsurance market were transferred to the CNSP and the SUSEP, respectively.

According to Supplementary Law No. 126/07, the reinsurance business may be performed by three different types of re-insurers: local, admitted and non-admitted. Local re-insurers have to be incorporated and organized under Brazilian law are subject to the substantially same rules applying to insurance companies. They will have rights of first refusal in the underwriting of 60% of Brazilian reinsurance placements in the first three years following the opening of the market and 40% thereafter, in addition to being entitled to exclusive rights to underwrite life insurance with accumulation of assets components and private pension plans. Re-insurers based abroad may do business in the country as admitted or non-admitted re-insurers. The admitted re-insurers shall have a representative office in the country, be registered with the SUSEP and comply with other rules established by Supplementary Law No. 126/07 and the CNSP. Occasional re-insurers are not required to open an office in the country but shall be registered with the SUSEP, and their operations in Brazil will be subject to certain limitations.

Supplementary Law No. 126/07 also authorizes foreign currency denominated insurance, reinsurance and retrocession transactions, as well as the opening and maintenance of foreign currency denominated accounts by insurers and reinsurers, with due regard for applicable legislation and the rules issued by the CMN.

Insurance companies shall keep provisions in compliance with the criteria established by the CNSP. Investments supporting such provisions shall be made in bond and securities in accordance with the diversification rules imposed by the CMN. Accordingly, insurance companies are major investors in the Brazilian financial markets and, as a result, are subject to a series of rules and conditions imposed by the CMN regarding the investment of technical provisions.

Pursuant to CNSP Resolution No. 98, dated 30 September 2002, as amended by CNSP Resolution No. 106, dated 26 January 2004, insurance companies may not:

- enter into derivative transactions, except for hedging against the risks to which they are exposed, with due regard to the supplementary rules issued by the SUSEP;
- invest in investment funds, whose derivative transactions creates an exposure of more than 100% of the respective net equity;
- invest in investment funds, in especially organized funds and in funds for investment in especially organized investment funds whose portfolios are managed by individuals, as well as in portfolios managed by individuals;
- make financial investments abroad, except when expressly provided for in a regulation approved by the CMN;
- render surety, guarantee acceptance or be co-liable in any other way;
- act as a financial institution; or
- perform any kind of commercial or financial transaction (1) with their managers, members of their statutory boards and respective spouses or companions and up to 2nd degree relatives; (2) with companies in which the persons referred to in the previous item hold a share interest, except for a share interest of up to 5% as a shareholder of a public company; and (3) having as a counterparty, even if indirect, related individuals or legal entities.

With respect to their reserves, provisions, funds and collateral assets, insurance companies may further not:

- offer any collateral to guarantee transactions in the futures market or in any other circumstance;
- dispose of, promise to dispose of or otherwise encumber under collateral, as well as under any rights arising therefrom, without the prior and express authorization of the SUSEP, or list assets for attachment;
- lease, lend or pledge bonds or securities;
- deal with shares in private negotiations;
- act as a financial institution, granting loans, financial assistance or cash advances to individual or legal entities or extending any type of credit facility;
- offer as collateral any share issued by unlisted companies for negotiation on stock exchanges or in over-the-counter markets organized by a CVM accredited entity;
- offer as collateral any asset not included in the applicable CMN regulations;
- offer as collateral any bond or security issued by related companies or for which they are co-obligors;
- offer as collateral any quotas in investment funds, including specially organized investment funds whose portfolio includes securities issued by or co-guaranteed by (1) the managing institution itself, its controlling companies, companies directly or indirectly controlled by it and related companies or other

companies under common control; or (2) the company/entity, its controlling companies, companies directly or indirectly controlled by it and related companies or other companies under common control;

- offer as collateral agricultural bonds that lack the proper insurance as required by applicable regulations, as attested in a document issued by SUSEP's Actuarial Technical Department; or

- offer as collateral shares of investment funds whose portfolio includes agricultural bonds that lack the proper insurance as required by applicable regulations, as attested in a document issued by SUSEP's Actuarial Technical Department.

Insurance companies must operate within the limits as approved by SUSEP pursuant to the rules established by CNSP. Such rules take into account the economic and financial condition of the insurance companies and the technical conditions of their respective portfolios.

In order to operate, insurance companies need governmental approval. This authorization is granted by the ministry of finance upon submission of the request to the SUSEP and the CNSP. Insurance companies shall file with SUSEP or obtain SUSEP's prior approval, depending on the type of insurance for each of their products. Any amendment to the bylaws of the insurance companies or any consolidation, merger, or similar operation must also be submitted to the approval of the SUSEP and, under certain circumstances, the ministry of finance.

Insurance companies may not open branches or offices abroad without the authorization of the ministry of finance. Any insurance company having branches or offices abroad must comply with the following procedures:

- segregate the results of foreign and domestic operations;

- provide SUSEP with a detailed report on results abroad; and

- submit evidence that the proper foreign authorities approved the financial statements for the branches and offices abroad.

Currently, there are no restrictions to foreign investment on local insurance or reinsurance companies.Insurance companies should periodically provide SUSEP with monthly unaudited reports and half-yearly and yearly audited reports, in addition to disclosing their financial statements in the Federal Official Gazette by 28 February of each year. Their general shareholders meeting should be held by 31 March of each year.

Insurance companies are not subject to the usual bankruptcy procedures and should comply with a special procedure determined by SUSEP. The liquidation of insurance companies may be voluntary or mandatory, and, in the latter case, it may be initiated by the ministry of finance. For voluntary liquidation, within five days following the general shareholders meeting that approved the liquidation, the insurance companies should request the cancellation of their operating license with SUSEP. This cancellation should be approved by SUSEP, which will appoint a liquidator.

Brazilian law empowers SUSEP to intervene in or liquidate insurance, capitalization and open private pension companies in the event of practices that are detrimental to the insurance, failure to record the provisions or funds required by applicable regulations, debts with the IRB and insolvency. Brazilian law further establishes that upon occurrence of any of these events, the managers and controlling shareholders of the insurance company may be held jointly liable for any unsecured liabilities and may have their personal assets frozen until the final determination and liquidation of responsibilities.

Assets backing up reserves and provisions of insurance companies must be invested in three different segments, each of them subject to diversification, as follows:

- fixed income segment, which includes federal, state and municipal bonds, participation in fixed income funds and several other fixed income securities;

- variable income segment, which includes shares issued by public companies, participation in several variable income investment funds; and

- real estate segment, which includes urban properties and participation in real estate investment funds.

The CMN Resolution No. 3,308/05 sets forth the limits of the technical provisions in each of certain segments and the corresponding adequate diversification.

The accounting records of insurance companies should include all transactions involving liabilities for the insurance companies. Such records should comply with the provisions of the CNSP, the Federal Accounting Council, the CVM (when applicable) and, further, the standardized chart of accounts approved by the SUSEP. Their financial statements should be disclosed in accordance with the standards approved by the SUSEP.

Finally, it should be mentioned that in the event of violation of the rules in force, insurance companies and their managers, as well as insurance brokers, are subject to sanctions, which may include warnings, fines, suspension and temporary or permanent disqualification for the performance of management responsibilities.

BUSINESS

We are one of the first banks in Brazil to offer payroll deduction loans, a type of consumer loan that is repaid through deductions from the borrower's paycheck or benefits check. We began to offer payroll deduction loans in 1980. In 1995, when a change in Brazilian law authorized the deduction of loan repayments from paychecks of employees of the government of the Brazilian state of Paraná, we began focusing our operations on this business. Since then, we have demonstrated consistent growth and low default rates, which have contributed significantly to our becoming a profitable bank. Our return on average equity for the three years ending on 31 December 2008 was 17.5%, As of 30 September 2009, we had a ratio of capital to risk-weighted assets of 48.8%, which is substantially higher than the minimum capital requirements established by the Central Bank (11%) and the Basel Accord (8%).

A payroll deduction loan can only be offered to an individual borrower in Brazil once a bank has entered into an agreement permitting the deduction with that borrower's employer or with the INSS, in the case of a INSS benefit recipient. We are one of the leaders among medium-sized banks in the payroll deduction loan business in Brazil, in terms of number of agreements with employers. As of 30 September 2009, we had 531 active agreements with various municipal, state and federal entities. These employers include 16 Brazilian states; 310 municipalities including important Brazilian state capitals and main cities such as São Paulo, Rio de Janeiro, Curitiba, Porto Alegre, Belo Horizonte, Salvador, Recife and Goiânia, among others; the INSS and several municipal, state and federal government entities. As of the same date, we had more than 316,000 individual loan agreements in effect. Our current agreements with employers provide us with the potential for growth on a large untapped base that we estimate to be of approximately 27 million potential customers. We have well-structured nationwide sales channels, including seven owned stores, 80 franchises and a diversified network of 607 banking brokers as of 30 September 2009.

We have historically operated in the credit market for small and middle-sized companies. For strategic reasons, we suspended these operations in 1998 and later resumed them in the beginning of 2007, since which we have been granting loans in the form of unsecured loan agreements, overdraft facilities and working capital financing loans to small and middle-sized companies. As of 30 September 2009, we had a portfolio of R$117.5 million, which represented 9.7% of our total credit portfolio.

Our total loan portfolio showed an average compound annual growth rate, or CAGR, of 30.6% from 31 December 2005 through 31 December 2008. We generated R$624.9 million, R$873.7 million and R$920.9 million in new payroll deduction loans in 2006, 2007 and 2008, respectively, which represents a compound annual growth rate of 13.8% for this three-year period. We generated R$848.0 million and R$475.2 million in new payroll deduction loans for the nine months ended 30 September 2008 and 2009, respectively. The balance of our total loan portfolio was R$1,110.5 million as of 31 December 2008, of which 91.6%, or R$1,017.2 million, was comprised of payroll deduction loans. The balance of our total loan portfolio was R$1,205.3 million as of 30 September 2009, of which 88.8%, or R$1,070.5 million, was comprised of payroll deduction loans. Our income from payroll deduction loans represented 87.3% of our consolidated income from financial intermediation as of and for the year ended 31 December 2008. Our income from payroll deduction loans represented 87.3% and 81.0% of our consolidated income from financial intermediation as of and for the nine months ended 30 September 2008 and 2009, respectively.

The JMalucelli Group

We are part of the JMalucelli Group, one of the largest business conglomerates in the state of Paraná, Brazil. The state of Paraná is located in southern Brazil and has a population of over 10 million, representing 5.56% of the Brazilian population in July 2006, according to the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE. The state of Paraná accounted for 6.1% of Brazil's gross domestic product, or GDP, in 2007, according to the most recent available IBGE data.

Founded in 1966 by Joel Malucelli with the incorporation of JMalucelli Construtora de Obras S.A., the JMalucelli Group currently comprises 44 companies, which operate mainly in the financial, insurance, construction, media, communications and infrastructure industries in Brazil, and also in other industries, including sports, tourism and agribusiness.

The Insurance Company and JMalucelli Re

On 6 March 2007, we entered into a share purchase and sale agreement to reacquire 85% of the capital stock of the Insurance Company from Advent International, acting through its subsidiary Fors Holdings S.A., or Fors Holdings, which equity interest we had originally transferred to Advent International in October 2005. The acquisition of the Insurance Company was subject to the approval of SUSEP, as it involved the transfer of control of the Insurance Company to our Bank. This approval was obtained on 15 April 2008. As a result, we currently hold 100% of the capital stock of the Insurance Company. The Insurance Company focuses its activities on the Brazilian surety bond market.

The Insurance Company led the Brazilian surety bond market with a 43.0% market share in 2008, according to SUSEP. The surety bond market in Brazil is in its incipient stages, but has demonstrated significant growth potential due to the currently prevailing favorable environment for insurance companies in Brazil as a result of the gradual opening of the Brazilian reinsurance market. Until recently, insurance companies in Brazil were required to assign part of their premiums to be reinsured by IRB, which effectively gave IRB a monopoly over the reinsurance market in Brazil. From January 2007, as a result of a new law, IRB has been required to gradually reduce its share of the Brazilian reinsurance market. Because of these changes, Brazilian insurance companies will have increased opportunities to enter into reinsurance contracts with local and international reinsurance companies. In addition, Brazilian insurance companies are expected to be able to enter into reinsurance contracts more rapidly and at more competitive prices. This change has begun to contribute to an increase in the volume of insurance business generally in Brazil.

The growth potential of the surety bond market in Brazil also stems from recent developments in the infrastructure industry created by two Brazilian governmental measures designed to enhance investment in infrastructure: (1) the Growth Acceleration Plan (*Plano de Aceleração do Crescimento*), and (2) the Public-Private Partnerships (*Parcerias Público-Privadas*). Further opportunities in this segment are likely to be generated by the infrastructure investments in projects relating to the FIFA World Cup in Brazil in 2014, the Olympic Games in Rio de Janeiro in 2016 and the pre-salt exploration in the oil fields located off the coast of Brazil. We believe that the reacquisition of the Insurance Company will continue to lead to profitable business opportunities because of the synergies between our business of granting loans and the Insurance Company's business of providing surety bonds for corporate clients.

In addition, to take advantage of the opening of the Brazilian reinsurance market, in April 2008 we incorporated JMalucelli Resseguradora S.A., or JMalucelli Re, the first Brazilian private reinsurance company.

Our Competitive Strengths

We believe that our main competitive advantages include the following:

Presence in Markets with High Growth Potential

We and the Insurance Company have strong positions in three growing markets in Brazil – payroll deduction loans, loans to small and middle-sized companies and surety bonds – each with significant growth potential.

Payroll Deduction Loans - We are one of the leaders in the payroll deduction loan market in Brazil among medium-sized banks, with over 531 active agreements with various employers and the INSS to provide payroll deduction loans to their employees and more than 316,000 individual loan agreements in effect as of 30 September 2009. We believe we have significant potential to attract new customers under our current agreements with employers and the INSS. We also believe that these employers and the INSS represent approximately 27 million potential customers. Furthermore, the unmet demand for credit in Brazil, combined with currently favorable macroeconomic conditions for the banking industry, presents an opportunity for increased growth in the payroll deduction loan business. Given the lower interest rates for these loans compared to other types of consumer loans, we are able to charge our borrowers lower loan fees. For this reason, payroll deduction loans represent an attractive alternative for the large lower-income customer base in Brazil. We believe our expertise allows us to maximize sales opportunities from our current agreements with employers and to profit from the growth potential in the payroll deduction loan market in Brazil.

Loans to small and middle-sized companies - In order to increase our participation in new markets, in 2007 we started loan operations to small and middle-sized companies, with the intention of increasing participation in this market. Today we have specialized teams in the cities of Curitiba and São Paulo and, as of 30 September 2009, loans to small and middle-sized companies totaled R$117.5 million, equivalent to 9.7% of our total credit portfolio. Our operations benefit from synergies with the Insurance Company's client base with 7.0% of our loans in this segment originated from this synergy as of 30 September 2009. In the nine months ended 30 September 2009, 16.7% of our loans to small and middle-sized companies were to the industrial sector, 72.0% were to the service sector and 11.4% were to the commercial sector. We believe that current macro-economic conditions, reinforced by recent reductions in the interest rate, justify our positioning in this market, since these factors encourage companies to increase investments in productive activities.

Surety Bonds - The Insurance Company led the surety bond market in Brazil, with a 43.0% market share in 2008, according to SUSEP. We believe that the leadership of the Insurance Company and its ability to develop new products with respect to surety bond in a growing market place it in an advantageous position to capture the expected growth of the surety bond market in Brazil, which represented approximately 0.7% of the total insurance premiums in the Brazilian market in 2008, according to SUSEP.

Efficiency and Profitability

During more than two decades operating in the payroll deduction loan segment in Brazil we have acquired knowledge and experience relating to this niche market, enabling us to create a distinct business model, which we believe has produced higher profit margins than the average profit margins of our competitors. Our profitability is accompanied by low default rates, which were approximately 1.7% and 2.7% in the years ended 31 December 2007 and 2008, respectively, and approximately 1.8% and 3.0% for the nine months ended 30 September 2008 and 2009, respectively, taking into account loans classified at the highest risk level (Level "H"), according to criteria set forth by the Central Bank. Loans in arrears classified as Level H are kept in this category for 180 days; afterwards, if they are still in arrears, they are recorded as losses. We believe that the average commissions we pay to our banking brokers are lower than those of our competitors. In addition, we believe that our average operating costs associated with generating loan transactions are lower due to our business model based on diversification, growth and the large number of agreements with employers. This business model allows banking brokers, who comprise an important part of our sales force, to offer our products and services to various types of employers small, medium-sized and large entities at the municipal, state and federal levels. Finally, our technology platform enables us to adapt our business model to the technical specifications of each agreement we enter into, allowing us the opportunity to create productivity gains.

Strong Loan Origination Capacity

Our sales channels provide a well-structured platform for conducting sales and customer service throughout Brazil. Our main sales channel is our nationwide network of 607 banking brokers as of 30 September 2009. Our large number of agreements with employers is attractive to banking brokers because this allows them to gain access to a wide variety of potential customers, i.e., employees and INSS benefit recipients. We select our banking brokers based on their capacity to generate loans. We have developed campaigns to encourage sales and the loyalty of our banking brokers and created an operating tool for managing our relationships with our banking brokers, which we call the "Correspondent's Portal," with online information enabling us to fully manage and operate each banking broker's business portfolio. In addition, our franchises and owned stores provide an alternative sales channel with lower costs than those related to banking brokers and have demonstrated constant growth. Our owned stores and franchises were together responsible for approximately 54.4% of total sales of payroll deduction loans for the nine months ended 30 September 2009. We believe the franchise offers a competitive advantage by being innovative, low-cost and unique in the Brazilian market, which benefits from the following factors:

- exclusive relationships with franchisees for the offering of our financial products;
- standardization of services offered to customers across markets;

- high level of control over the quality of services and products offered by franchisees; and

- long-term commitment from franchisees.

Our franchises were responsible for approximately 32.7% of total sales of payroll deduction loans for the nine months ended 30 September 2009. In 2008 and 2009, the *Pequenas Empresas Grandes Negócios* magazine named our franchise as the best in the general and financial services category. As of 30 September 2009, we have 80 franchises in operation and a further four are due to become operational in 2010. In addition, we have a network of seven owned stores which act as regional branches to coordinate the brokers and franchises in their respective regions.

Large and Diverse Base of Agreements with Employers

Our strategy has always been to diversify and expand our base of agreements with employers at a national level. We are party to contracts which allow us to lend to the employees and benefit recipients of small, medium-sized and large public entities at the municipal, state and federal levels, including the INSS, the Brazilian army, the judiciary, the federal government, Infraero, the Brazilian postal service and the federal, state and municipal legislative branches. We believe our business model minimizes our exposure to the risk of default by employers by dispersing our payroll deduction lending operations across various regions of Brazil and a diverse range of public organizations. In addition, our management has acquired experience in negotiating agreements with municipal, state and federal government entities, and we believe that our operational and technological structure is well-positioned to serve public entities of various sizes and characteristics, efficiently and at low cost, factors which contribute to maintaining and broadening the diversification of our existing agreements with employers.

Innovation in the Payroll Deduction Loan Market and Experienced Management

Our management is experienced in, and has knowledge of, the Brazilian payroll deduction loan market. It is composed of members who have more than 15 years of experience, on average, in the consumer credit market. Our management's experience has allowed us to develop innovative products and projects related to consumer credit for more than two decades. We operate in this segment since the 1980s, by means of agreements entered into with public employee associations in the state of Paraná and the city of Curitiba, prior to the enactment of specific regulations related to payroll deduction loans. In 1998, in partnership with the city of Curitiba, we launched the Quality Card, the first project of its kind in Brazil, through which we made a "smart card" available to approximately 12,353 municipal employees as of 30 September 2009, providing them access to a wide range of services, including online approval of payroll deduction loans in real time. In addition, we are the first among our competitors to structure our relationships with our banking brokers as franchises. The experience of our management, its commitment to our interests and its ability to innovate are key to the success of our business. See "Business—Principal Business Activities—"Quality Card" and "MasterCard Electronic *Consignado*."

Institutional Support from the JMalucelli Group

The reputation and history of success of the JMalucelli Group, which is one of the most prominent business conglomerates in the state of Paraná, contribute to the credibility of our products and services. The JMalucelli Group is composed of 44 companies that operate mainly in the financial, insurance, construction media, communications and infrastructure industries, and also in other industries such as sports, tourism and agribusiness in Brazil. In addition to creating business opportunities, the group's national presence and reputation adds value to our business.

Our Strategy

We intend to continuously expand our payroll deduction loan portfolio, while retaining our profitability and taking advantage of new growth opportunities, by adopting the following measures:

- develop innovative payroll deduction loan products, such as credit lines for purchases of durable goods;

- prioritize the profitability of our payroll-deductible loan portfolio by operating through agreements that are more profitable;

- refinance existing loans assigned to us by competitor institutions for the prepayment of the original assigned loans, thus becoming the direct creditor and establishing relationships with the borrowers;

- develop and use advanced technologies, such as employer and customer internet portals, to support the growth of our payroll deduction loan portfolio, saving costs associated with the origination, approval, processing and granting of loans, while promoting a closer relationship with employers and customers;

- expand our portfolio of loans to small and middle-sized companies through the synergy with the Insurance Company and its more than 20,000 clients; and

- take advantage of infrastructure investments in projects relating to the FIFA World Cup in Brazil in 2014, the Olympic Games in Rio de Janeiro in 2016 and the pre-salt exploration in the oil fields located off the coast of Brazil to increase our leadership in the surety bond market and the reinsurance market.

With these goals in mind, we seek to implement the following strategies:

Prioritize the Profitability of our Credit Portfolio

While at the beginning of 2008 our competitive advantage in the payroll deduction loan market was based on our volume of operations, later in the same year we began to operate agreements on a more profitable basis. As a result, in June 2008, we restructured our payroll deduction loan portfolio, giving more priority to agreements which generated greater profit margins. We intend to continue to prioritize the profitability of our credit portfolio and promote organic growth of both our payroll deduction lending and loans to small and medium-sized companies.

Continue to Expand our Presence in the Credit Market for Small and Middle-Sized Companies

We intend to continue to expand our operations in the credit market for small and middle-sized companies. Through our experience in this segment, the broad range of potential clients we believe to exist in this segment and the synergies with the Insurance Company, we expect these transactions to represent an increasing share of our consolidated revenues. As of 30 September 2009, 7.0% of our loans to small and middle-sized companies originated from this synergy. We resumed our operations in this market in the beginning of 2007 and, as of 30 September 2009, our portfolio of loans to small and middle-market companies reached R$117.5 million, which represented 9.7% of our total credit portfolio. In addition, in 2008, we initiated our granting of receivables-backed loans in the form of overdraft facilities and working capital loan to companies with monthly revenues between R$50,000 and R$200,000. The receivables correspond to amounts due as a result of services provided or products sold by the borrowers.

Continue to Expand the Franchise as a Sales Channel

We intend to continue to expand our franchise channel in order to increase the number of banking brokers offering our financial products exclusively and subject to our quality control standards, while also allowing them to offer other non-financial products (including products which our bank does not provide) to our customers. Our goal is to rapidly expand our sales channels, with a focus on establishing relationships with new banking brokers as franchisees, to reach to locations where we do not yet operate, primarily Brazil's 897 small and medium-sized municipalities (those with populations between 17,000 and 300,000).

Maintain Low Funding Costs

We intend to improve the profit margins that we have generated since 1998 when we started focusing on the payroll deduction loan business. We have always aimed for high levels of profitability, in particular by maintaining low funding costs. To this end, we have diversified our sources of funding, using time deposits, loan assignments to other financial institutions, loan assignments to FIDCs, the issuance of debt securities outside of

Brazil and time deposits with a special guarantee (*depósito à prazo com garantia especial*) from the loan guarantee fund (*Fundo Garantidor de Crédito*) up to the limit of R$20 million per client. We believe that the proceeds from these debt securities will allow us to reduce our cost of funding. We expect that there will be an increase in time deposits due to an increase in our Bank's size and the better ratings we expect to obtain from the rating agencies as a result of our continued work towards the upgrading of our credit ratings. We also intend to maintain our operating costs at levels that we believe are lower than those of our competitors by investing in direct sales links to our customers and establishing franchises as an alternative sales channel with lower implementation and operating costs than those for traditional banking brokers. In addition, we intend to reduce our administrative expenses by investing in our technology platform.

Profit From Synergies Between Our Bank and the Insurance Company

We intend to continue to profit from the synergies between our Bank and the Insurance Company following our reacquisition of the Insurance Company. Surety bonds are essentially a financial product and, in its risk analysis, the Insurance Company takes advantage of the expertise that we have developed over two decades of experience in risk analysis for the lending market. We have identified important synergies between our Bank and the Insurance Company which stem from the similarities between surety bonding and granting loans. We believe that our Bank will take on an important role in managing the funds of the Insurance Company's customers, who, on receiving insurance, must present collateral guarantees, often by means of time deposits which may be made with our Bank. In addition, the Insurance Company's leadership in the Brazilian surety bond market and its relationships with its approximately 20,000-customer base, including companies from diverse industries such as highway concessions, energy, real estate development and heavy construction, present an opportunity to increase the number of our agreements with private companies to offer payroll deduction loans to their employees and also to increase our portfolio of loan transactions to small and middle-sized businesses. As of 30 September 2009, 7.0% of our loans to small and middle-sized companies originated from this synergy. In addition to benefitting directly from the relationship between the Insurance Company and its corporate customers, we can also take advantage of the fact that the Insurance Company has already carried out a credit risk evaluation of these corporate customers.

Expand Operations in the Consumer Credit Segment

In October 2008, we began operating in the storeowner consumer credit segment (*Crédito Direto ao Consumidor - Lojista*), or CDC Lojista, pursuant to which we finance purchases by consumers at individual stores and retail chains which have registered and been approved for the programme. We intend to expand our operations in this segment and increase the share of our total credit portfolio composed of loans to small and middle-sized companies and loans extended pursuant to the CDC Lojista programme.

Take Advantage of the Opportunities Related to Infrastructure Investments

We believe that new infrastructure investments in projects relating to the FIFA World Cup in Brazil in 2014, the Olympic Games in Rio de Janeiro in 2016 and the pre-salt exploration in the oil fields located off the coast of Brazil will lead to further growth in the surety bond market. We expect the Insurance Company, as a result of its experience and strong position in the market, to be able to benefit from these opportunities. We also intend to take advantage of this increase in the surety bond market by increasing our premium retention through JMalucelli Re.

Recent Events

On 30 July 2009, we signed a coinsurance deal with Caixa Seguradora S.A., whereby more than R$3 billion in financing from the Caixa Economica Federal S.A., or CEF, was guaranteed by the Insurance Company. This operation generated approximately R$3 million in premiums with average contracts lasting 24 months. As insurer, the Insurance Company guarantees to the CEF, the financial institution responsible for building public housing in connection with the "My House, My Life" federal housing program, the conclusion of contracted works. The program "My House My Life" is forecast to invest R$34 billion in the building of more than one million houses for low income families in Brazil.

Our History

We were founded on 25 April 1977 and acquired by the JMalucelli Group on 19 April 1979. Operating under the name Paraná Financeira, we offered personal credit and vehicle financing. In 1980, still operating under the name Paraná Financeira, we began to offer payroll deduction loans through agreements with the public employee associations of the state of Paraná and its capital, the city of Curitiba.

In 1989, Paraná Financeira was converted into Paraná Banco S.A. and, on 21 July 1989, we were authorized by the Central Bank to operate as a multiservice commercial bank, which allowed us to offer loans, financing and investment services.

Following the enactment of Brazilian legislation authorizing the granting of payroll deduction loans to government and private sector employees, we focused on expanding our operations in this market, and in 1995 we executed an agreement with the state of Paraná to offer payroll deduction loans to state public employees.

In 1998, in a partnership with the city of Curitiba, we launched the Quality Card (*Cartão Qualidade*). This project was the first of its kind in Brazil, and consists of a smart card issued to municipal civil servants which allows cardholders to access a number of banking and related services, including the online, real-time granting of payroll deduction loans, with repayment made through deductions from the borrower's paychecks. We have granted approximately 200,000 payroll deduction loans linked to the Quality Card since its launch. As of 30 September 2009, we had issued 12,353 cards.

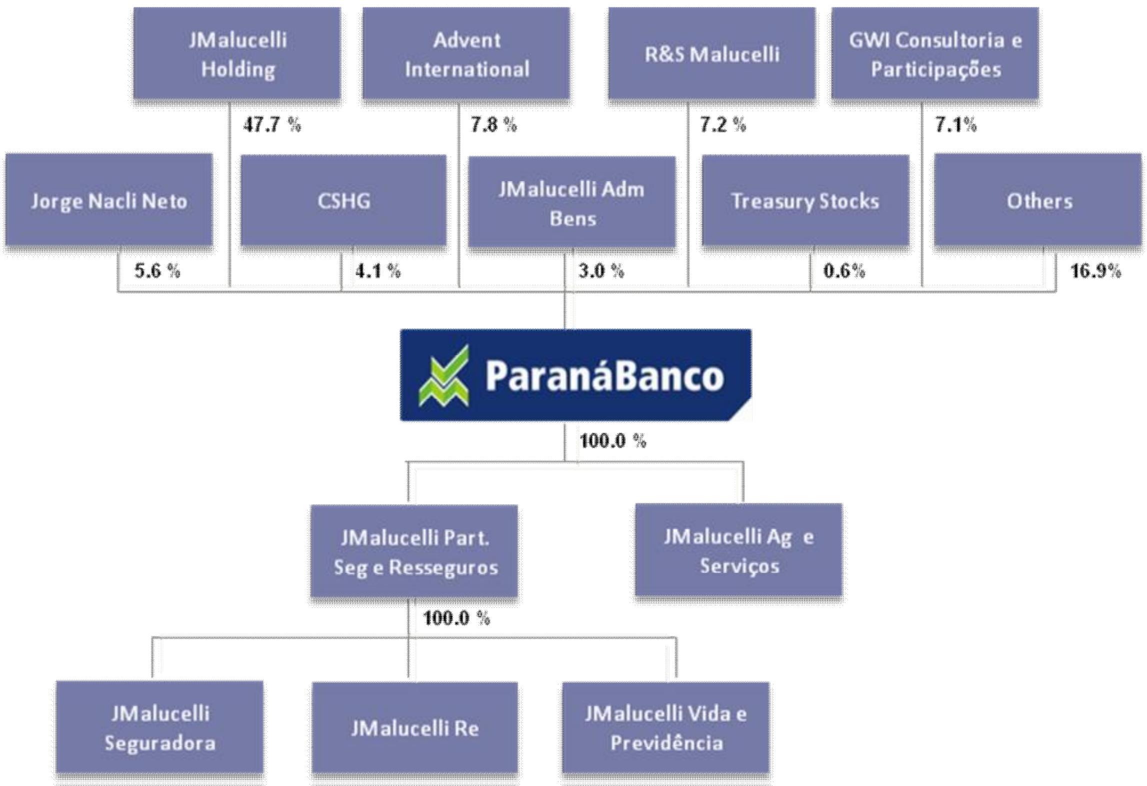
In September 2001 we launched the *Mastercard Electronic Consignado* credit card pursuant to which the minimum monthly payment on credit card balances is paid through payroll deductions and the unpaid balance is billed to borrowers, who have the option to make an additional supplementary payment above the minimum monthly payment.

In 2004 we were one of the first banks to offer payroll deduction loans to INSS benefit recipients under an agreement executed with the INSS, which covers approximately 19 million benefit recipients.

On 16 February 2007, we sold to our shareholders, in proportion to their equity interest in our capital stock, our total equity interest in the capital stock of JMalucelli DTVM, for its book value of R$2.6 million, which did not generate any losses or gains for our Bank.

In June 2007 we concluded our initial public offering through the issuance of approximately 38 million preferred shares. These shares are listed on the Level 1 (*Nível 1*) segment of the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo*), or the BOVESPA. In August 2008, we established a Level I American Depositary Receipt (ADR) programme in respect of our preferred shares.

The chart below shows our corporate structure as of 4 November 2009 (percentages refer to our total capital stock):



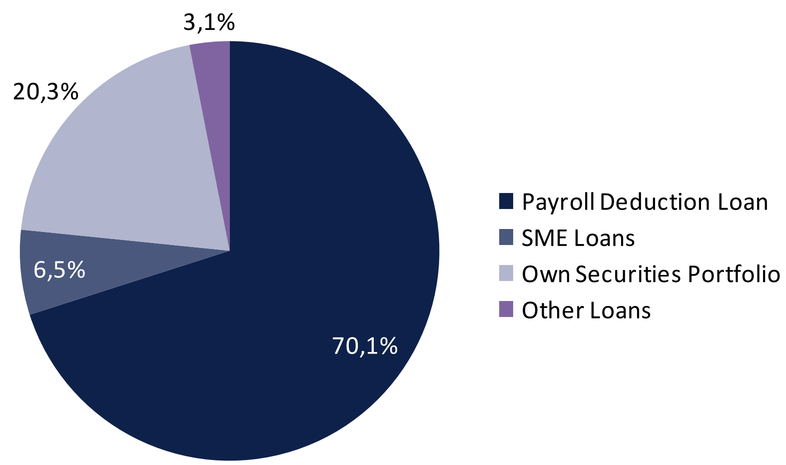
(1) Joel Malucelli holds 50.2% of the equity interest in JMalucelli Holding S.A. Each of Cristiano Malucelli, Alexandre Malucelli, Mônica Malucelli do Amaral, Paola Malucelli de Arruda, Julia Malucelli and Gabriel Malucelli holds 8.3% of the remaining equity interest in such company.
(2) On 4 December 2009, Advent International sold 4,266,700 of its preferred shares. As of the date hereof, we cannot accurately state the impact such sale will have on the other shareholdings.
(3) R&S Malucelli Administração e Participação Ltda. (7.2%) (each of Rosaldo Malucelli and Sara M. A. Malucelli holds 50% of R&S Malucelli Administração e Participação Ltda.).
(4) JMalucelli Administradora de Bens Ltda (2.9%) (Joel Malucelli holds 99.9%).

See “Principal Shareholders.”

Principal Business Activities

Our principal business activities consist of granting payroll deduction loans and receivables-backed financing for small and middle-market companies.

The chart below shows the revenues generated by our payroll deduction loans and other products in relation to our total consolidated revenues for the nine months ended 30 September 2009:



Payroll Deduction Loans

Our portfolio of payroll deduction loans to federal, state and municipal public employees and INSS benefit recipients represented 88.8% of the balance of our total loan portfolio on 30 September 2009. The remainder of our loan portfolio consists primarily of loans in the form of loan agreements, overdraft facilities and working capital financing loans to small and middle-sized companies. We are one of the leaders in the payroll deduction loan segment in Brazil. As of 30 September 2009, we had over 531 active agreements with various municipal, state and federal entities. Our current agreements with employers include 16 Brazilian states; 310 municipalities; the INSS and several municipal, state and federal government entities.

Payroll Deduction Loans for Public Employees

In the 1980s, under the name of Paraná Financeira, we carried out payroll deduction loan transactions through agreements with associations of employees of the state of Paraná, Brazil and the city of Curitiba. In 1995, upon the effectiveness of regulations governing the granting of payroll deduction loans to its employees, we entered into an agreement, which is still in effect, with the state of Paraná. Payroll deduction lending to public employees is our main business focus and, for the nine months ended 30 September 2009, represented 100% of our portfolio of payroll deduction loans. Since 2004, new laws have been enacted authorizing the granting of this type of loan to state and municipal public employees, allowing us to expand our market coverage and to benefit from the growth of the public sector.

The table below presents certain information relating to our payroll deduction loans to public employees for the years indicated:

Year/Period	Credits granted/ year or period	Number of loans	Approximate average amount per loan outstanding
	(in R$ millions)		(R$)
2006	500.3	138,683	3,600
2007	867.7	264,200	3,300
2008	847.1	145,225	5,833
Nine months ended 30 September 2009	473.0	68,864	6,868

In the nine months ended 30 September 2009, we offered payroll deduction loans with maturities from one to 72 months, at an average fixed monthly interest rate of approximately 2.12% (or 28.6% per annum) to public employees. As of 30 September 2009, the average amount of these loans was approximately R$4,800 with an average maturity of 53 months. Historically, loans granted to public employees have a relatively low likelihood of default.

Brazilian legislation allows government agencies to deduct loan repayment installments directly from their employees' paychecks, provided that certain conditions are met. The government agency to which the public employee is linked may deduct the loan repayment installments from his/her earnings, provided that the employee has given prior authorization and has notified the relevant agency. The deduction may be authorized by the public employee for an amount that, when combined with other optional deductions (such as contributions to employee associations and unions, pension plan contributions and life insurance premiums), is equivalent to no more than 30% of the public employee's monthly salary. Mandatory deductions (such as income tax withholding, social security, union dues, child support, alimony and other legal withholdings) are subject to an additional limit on the maximum amount of paycheck deduction loans. Optional and mandatory deductions, when combined, may not exceed 70% of a public employee's monthly gross salary. If the deductions exceed this threshold, optional deductions may be suspended to the extent of the excess amount. See "Regulation of the Brazilian Banking and Insurance Industries—Banking Industry—Regulation of Payroll Deductions—Public Employees."

Payroll Deduction Loans for INSS (Social Security) Benefit Recipients

On 17 September 2003, the Brazilian government authorized the deduction of personal loan payments from INSS benefit checks. Payments on payroll deduction loans to INSS benefit recipients are guaranteed by the INSS. In order to offer this product to INSS benefit recipients, banks must enter into an agreement with the INSS. As of 31 December 2008, approximately 60 banks and financial institutions have entered into these agreements with the INSS. Pursuant to INSS regulations, the maximum term for repayment of those loans is 36 months. We began our operations in this segment in November 2004.

The table below presents certain information relating to our payroll deduction loans to INSS benefit recipients for the years indicated:

Year/Period	Credits granted/ year or period	Number of loans	Approximate average amount per loan outstanding
	(in R$ millions)		(R$)
2006	113.8	89,077	1,300
2007	164.8	118,694	1,400
2008	73.8	29,245	2,525
Nine months ended 30 September 2009	143.9	59,837	2,488

The average amount and term of loans that we granted to INSS benefit recipients in the nine months ended 30 September 2009 were approximately R$2,488 and 57 months, respectively, at an average interest rate of approximately 2,45% per month (or 33.7% per annum). Historically, payroll deduction loans for INSS retirees have demonstrated considerably low rates of default. As of 30 September 2009, loans granted to INSS benefit recipients, represented 14.1% of our portfolio of payroll deduction loans.

Brazilian legislation allows the INSS to deduct loan amortization installments directly from the benefits of its benefit recipients, provided that certain conditions are met. If the benefit recipient has given prior authorization, the INSS allows monthly amortization installments to be directly deducted from the benefit recipient's paycheck, up to a limit of 30% of his/her total retirement or pension benefit including the limit on any payroll deduction credit cards held by the borrower. There is no age restriction for borrowers imposed by law. In January 2008, the INSS issued an instruction that set 60 months as the maximum maturity for payroll deduction loans granted to INSS benefit recipients. In January 2008, the INSS established a maximum interest rate of 2.5% per month for payroll deduction loans to INSS benefit recipients and 3.5% per month for payroll deduction loans to these recipients through credit cards. In January 2009, the INSS reduced the maximum interest rate for payroll deduction loans to INSS benefit recipients to 2.43% per month. See "Risk

Factors—Risks Relating to Our Business and to the Brazilian Banking Industry— Limits on the maximum interest rates we are allowed to charge could adversely affect our results of operations."

Quality Card

In 1998, in partnership with the city of Curitiba, we launched the Quality Card. This product, which was the first of its kind in Brazil, is a "smart card" for municipal public employees which allows the holder to access a number of services, including online payroll deduction loan applications and approvals. Using the Quality Card, employees of the city of Curitiba may apply for loans in an aggregate amount up to their paycheck-deduction credit limit with rapid online approval. Quality Cards include a chip that stores information of the cardholder regarding past deductions made from his/her paycheck and the cardholder's paycheck-deduction credit limit. To enter into payroll deduction loans with us in real time, the Quality Card holder must use a card reader located at one of our branches or at one of the stores of our banking brokers. The reader issues a report of the cardholder's account balance, containing all necessary information to approve the loan. After analyzing this report and confirming that the amount of the loan is within the paycheck-deduction credit limit of the public employee's paycheck, the amount of the loan is allocated to us for deduction of payments from the borrowers' paycheck. We have granted approximately 200,000 payroll deduction loans linked to the Quality Card since its launch. As of 30 September 2009, we had issued 12,353 cards and the outstanding amount of payroll deduction loans granted through this card was R$77.3 million.

Small and Middle-Market Companies Credit Portfolio

Since the beginning of 2007, we resumed our operations in the credit market for small and middle-sized companies, providing loans in the form of unsecured loan agreements, overdraft facilities and working capital financing loans. As of 30 September 2009, our small and middle-market loan portfolio (involving companies with monthly revenues between R$3 million and R$70 million) totaled R$117.5 million, equivalent to 9.7% of our total credit portfolio. Our senior committee of officers conducts a detailed review of each company and sets a credit limit on a case-by-case basis. See "Risk Management."

CDC Lojista

In October 2008, we began operating in the storeowner consumer credit segment (*Crédito Direto ao Consumidor - Lojista*), or CDC Lojista, pursuant to which we finance purchases by consumers at individual stores and retail chains which have registered and been approved for the programme. Credit approvals in respect of this programme are conducted online. We intend to expand our operations in this segment and increase the share of our total credit portfolio composed of loans to small and middle-sized companies and loans extended pursuant to the CDC Lojista programme. As of 30 September 2009, our loans extended pursuant to this programme totaled R$8.0 million.

Distribution Chain

Our sales channels have nationwide coverage, and are structured to focus not solely on sales but on customer service. As of 30 September 2009, our network consisted of 607 banking brokers, 80 franchisees and seven owned stores. Of all of the payroll deduction loans granted in the nine months ended 30 September 2009, approximately 45.6%, 32.7% and 21.7% were originated by our banking brokers, franchisees and owned stores, respectively.

Banking Brokers

Our principal sales channel is our network of 607 banking brokers as of 30 September 2009, which enables us to have nationwide presence. The banking brokers are responsible for offering, advertising and marketing our products, collecting all of the relevant documents and agreements and providing the information that we require to approve and grant the loan. Remuneration of our banking brokers consists of a commission for loans effectively granted. In the nine months ended 30 September 2009, commissions paid to banking brokers totaled R$11.7 million. All of our banking brokers currently operate with us on a non-exclusive basis.

We enter into service agreements with all of our banking brokers, executed in accordance with Central Bank guidelines for contracts with banking brokers. These service agreements have an indefinite term, and may be terminated at any time upon notice from one of the parties. The subject matter of the these agreements is the provision of (1) intermediation services by the banking brokers for granting payroll deduction loans to borrowers and (2) distribution services of other products that may be part of the financial portfolio of our Bank. We do not have a significant history of termination of these agreements by us or our banking brokers. Prior to signing the agreement, we make visits to the banking broker candidate's office in order to assess its quality and potential for advancing our operations in the region. Once contracted, the new banking broker must maintain an updated information record. We maintain daily contact with our banking brokers so as to monitor their productivity levels and their compliance to our rules.

Pursuant to the terms of the agreements we enter into with them, our banking brokers are subject to a series of obligations designed to promote strong relationships between us and our customers, including, for example, the maintenance of an operational infrastructure necessary to execute banking services, the filing of documents related to the diverse operations performed, and the guarantee that their employees and independent contractors understand the confidential nature of the banking operations, among others. The banking brokers are prohibited from entering into private financial operations, the entering of which would subject them to applicable penalties under the law. We commit to providing the appropriate forms and documents and to analyzing and processing the documentation in a timely manner to effect the banking operations. In addition, we agree to compensate the banking brokers according to pre-agreed sales commissions and to provide training to the employees and performance independent contractors of the banking broker. The banking brokers may not assign the performance of the contracted services to third parties without our prior consent. Attached to the banking broker service agreement are (1) a list of the locations and branches where the specific banking broker will operate, (2) a commission calculation table, (3) a conduct, procedures and operational flow manual, and (4) terms of responsibility and conditions for the use of our internet systems.

Throughout the years, we have developed sales and loyalty incentive campaigns for banking brokers, with the purpose of expanding our number of loan renewing contracts with banking brokers that formerly worked for us and promoting the banking brokers' loyalty. Our incentive campaigns aim at increasing our banking brokers' productivity, giving them incentives to reach performance targets by rewarding them in cash or with prizes such as vacations and cars, among others. We also have established programs designed to promote loyalty from all banking brokers that reward them in cash whose efforts result in new agreements between us and employers. Using state-of-the-art technology, we have developed an operating interface for a direct relationship with our banking brokers, the *Correspondent's Portal*, which serves as our daily communication channel with each banking broker. Through this internet portal, we publish news related to the payroll deduction loan business, sales techniques, new agreements, a transaction simulator, the status of the individual banking broker's transactions, request links for operating and support materials, links with employers, business targets and other interactive information that can facilitate our relationship and communication with the banking broker.

Franchises

The franchise model arose from our need to find a more secure and efficient alternative with superior quality control as compared to the current model of generating new loans through banking brokers. We developed our franchise project based on surveys and analysis of market behavior, competition and our banking brokers. The implementation of this project began in March 2007, with a first unit in the city of Almirante Tamamdaré in the metropolitan region of Curitiba, state of Paraná, Brazil. As of 30 September 2009, we had 80 operating franchisees. Our franchised stores are our most productive alternative sales channel when considered individually, representing approximately 32.7% of the payroll deduction loans originated by us in the nine months ended 30 September 2009.

All of our franchisees are former banking brokers who had previously entered into service agreements with us pursuant to Central Bank regulations on a non-exclusive basis. The franchise agreements are entered into on an exclusive basis. These agreements are executed with terms of five years and are automatically renewed for a subsequent term of five years, provided that neither party expresses a desire not to renew. The franchisee's remuneration consists of a commission on loans generated.

Our standard franchise agreement consists of a concession for five years for the operation of a franchise unit, through which financial services and products will be made available to the customers of a given city or region. Franchise fees vary from R$20,000 to R$25,000 and are used in the purchase of equipment for the franchise store. We own the equipment and the franchisee has the right of use under an agreement for use (without payment of any consideration). The franchise operation may follow one of two branch models, with either 30 or 60 square meters, must observe our standards for visual advertisements and product offerings, as well as other policies, and are also subject to our supervision.

In addition to payroll deduction loans, the franchisee are able to offer other products of ours or third parties, such as insurance, purchasing pools (*consórcios*), credit cards, financing of durable goods and others.

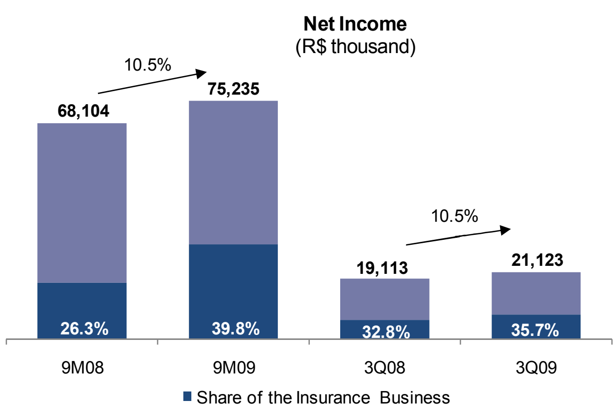
Through our franchise administrative and operating management system, we gain access not only to the production but also to the management of each franchise unit, and further, we provide operating support and conduct regular audits aimed at maintaining standardization of our chain of franchises, controlling commercial and marketing policies, and detecting any need for skills development and training for our franchisees. We appoint one supervisor for every 15 units.

We intend to expand our sales channels and reach locations where we are not yet operating, principally small to medium-sized municipalities. We have identified 897 municipalities in Brazil which we consider to be within this range.

Subsidiaries

The following contains a brief description of the activities of our principal operating subsidiaries. In view of the importance of the Insurance Company to our operations and business strategy, we also briefly describe its activities in this Offering Circular.

The chart below shows the income generated by us and the Insurance Company in relation to our total consolidated income for the nine months ended 30 September 2008 and 2009 and for the three months ended 30 September 2008 and 2009:



JMalucelli Vida e Previdência S.A.

JMalucelli Vida e Previdência S.A. is a company in a pre-operational stage, whose incorporation has been approved by SUSEP on August 13 2007. We incorporated this company with the purpose of offering pension and equity trust plans and payroll deduction loans for public employees of the Brazilian government. Pursuant to the terms of Law No. 4,961 only private pension companies may offer payroll deduction loans to public employees of the executive branch of the Brazilian government.

JMalucelli Agenciamento e Serviços Ltda.

JMalucelli Agenciamento is a wholly owned subsidiary of Paraná Banco and is responsible for the logistical structuring of customer service, receipt, and control of consigned credit operations carried out by bank and franchise correspondents in the principal regions of Brazil.

JMalucelli Resseguradora S.A.

In April 2008 we incorporated JMalucelli Resseguradora S.A., which was been authorized to operate by SUSEP on 23 May 2008. JMalucelli Re was established to take advantage of opportunities created by the opening of the Brazilian reinsurance market and is the first Brazilian private reinsurance company, with an initial net worth of R$70 million.

JMalucelli Re reinsures operations involving surety bonds, in their various forms, carried out by the Insurance Company and other insurance companies, and is responsible for the transfer of excess risk to other reinsurers. Pursuant to SUSEP Resolution No. 168, as a local reinsurer, we are part of a group of reinsurers benefitting from a first right of refusal in respect of 60% of reinsurance premiums in Brazil up to 2012 and 40% 60% of reinsurance premiums thereafter. In the three months ended 30 September 2009, 99.5% of premiums issued by JMalucelli Re originated from the Insurance Company. In the nine months ended 30 September 2009, the volume of premiums issued totaled R$150.9 million and the net income generated by JMalucelli Re totaled R$9.0 million , equivalent to 12.1% of our total net income.

The surety bond market presents significant growth potential in Brazil due to gradual opening of the reinsurance market, which represents an opportunity for insurers to begin contracting reinsurance with international reinsurers. Until recently, reinsurers had no participation in the Brazilian market because IRB had monopoly of the reinsurance market in Brazil. It is expected that, following the end of IRB's monopoly, there will be a favorable environment for further growth of the reinsurance market in Brazil, also driven by innovations aimed at the infrastructure sector, created by the Growth Acceleration Plan and Public-Private Partnerships, two Brazilian government initiatives designed to stimulate investment in infrastructure. Further opportunities in this segment are likely to be generated by the infrastructure investments in projects relating to the FIFA World Cup in Brazil in 2014, the Olympic Games in Rio de Janeiro in 2016 and the pre-salt exploration in the oil fields located off the coast of Brazil.

JMalucelli Seguradora S.A.

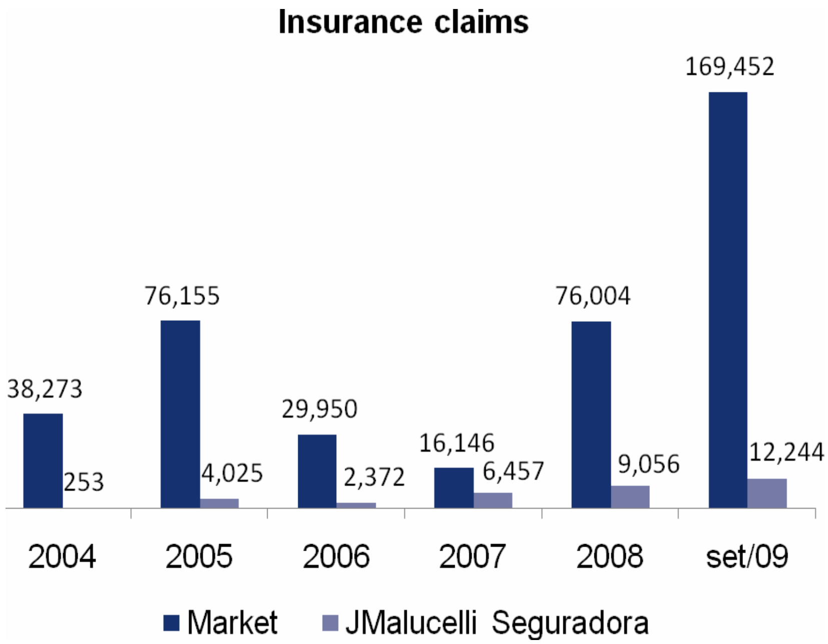
The Insurance Company was founded in 1991. Until 1995, the Insurance Company operated property, casualty and group insurance portfolios. In 1995, because of the experience of its executive officers in the surety bond market, it became a company specialized in this segment of the insurance industry, as accredited by the IRB, the Brazilian reinsurance agency. Since that time, for strategic reasons, the Insurance Company has focused its operations and business activities principally on offering surety bonds, a niche that represented approximately 94.6% of its revenues for the nine months ended 30 September 2009. In addition, the Insurance Company generates approximately 5.4% of its revenues from mandatory insurance for DPVAT as explained below. The Insurance Company generated approximately 39.8% of our consolidated income as of and for the nine months ended 30 September 2009.

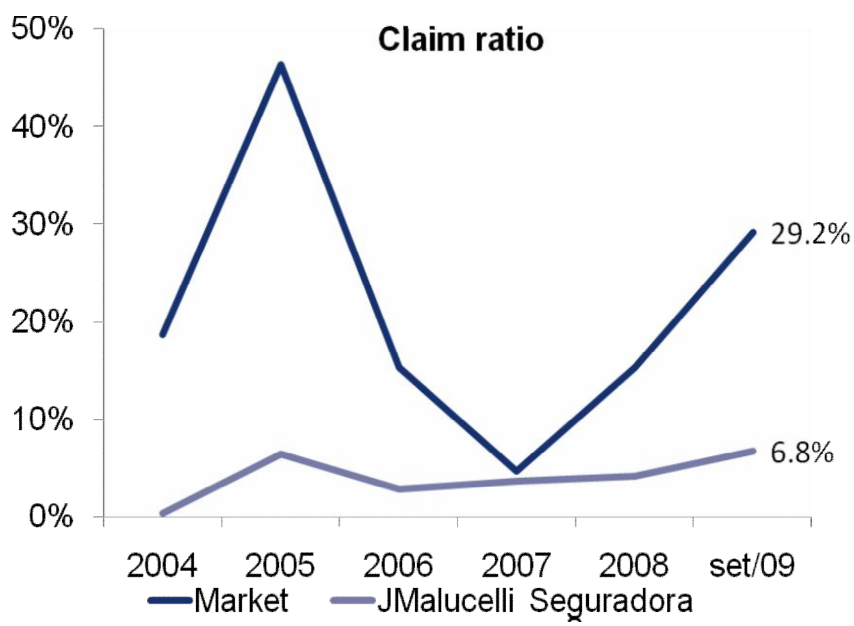
Surety Bonds

In 1997, the Insurance Company became a leader in the surety bond business in Brazil and, since then, has strengthened its position. According to SUSEP data, in 2008, the Insurance Company attained a 43.0% share of the surety bond market.

The charts below show the best loss (claims) ratios of the Insurance Company in relation to the surety bond market in Brazil and the historic participation of the Insurance Company in relation to this market.

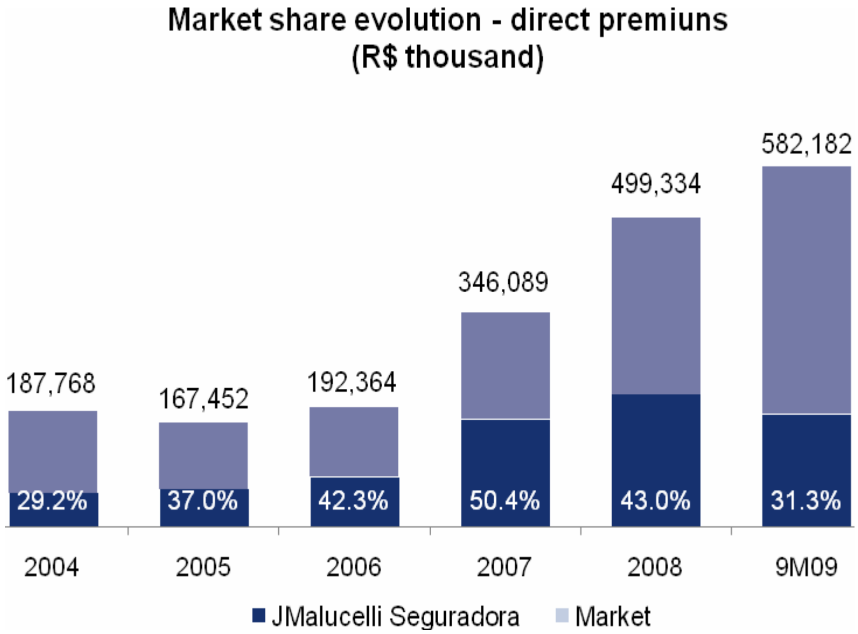
Loss (Claims) Ratio (%) – Insurance Company x Market





Source: SUSEP.

Gross written Premiums in the Brazilian Surety Bonds Market (in R$ millions)



Source: SUSEP.

From 31 December 2006 to 31 December 2008, the Insurance Company grew by 52.5%, 29.6% and 18.9% per year in direct gross written premiums, net income and net equity, respectively, which demonstrates the rapid and continuous growth of its operations. In 2008, the Insurance Company's return on equity was approximately 23.4%, its retained premium ratio was approximately 17% and its loss (claims) ratio was approximately 4.2%. The average loss (claims) ratio of the Brazilian market for this business segment was 15.3% in 2008.

The tables below present the Insurance Company's principal financial and operating indicators for the periods indicated:

	Year ended 31 December,			CAGR for the three years ended 31 December 2008
	2006	2007	2008	
	(in R$ millions)			
Consolidated data – surety bond and DPVAT				
Gross written premiums	110.7	210.2	257.4	52.5
Net income	10.3	11.9	17.3	29.6
Shareholders' equity	58.6	65.4	82.8	18.2
Cash and short-term investments (at end of period)	64.0	94.5	93.1	20.6
Return on equity(1)	19.0%	18.2%	23.4%	N/A
Surety bond operations data				
Loss (claims) ratio	2.9%	3.7%	4.2%	N/A
Retained premium ratio(2)	14.0%	16.0%	22.2%	N/A
Market share	42.0%	50.0%	43.0%	N/A
Number of insurance brokers (at end of period)	749	1,424	2,054	65.6%
Number of customers (insurance buyers) on record (at end of period)	16,047	18,601	21,655	16.2%

(1) Adjusted return on equity represents the net income for the period over the average shareholders' equity for the period.
(2) Retained premium ratio represents retained premiums over gross written premiums.

	Nine months ended 30 September,		
	2008	2009	Variation (%) 2008/2009
	(in R$ millions)		
Consolidated data – surety bond and DPVAT			
Gross written premiums	162.5	205.0	26.2
Net income	14.4	19.7	36.8
Shareholders' equity	79.9	102.6	28.4
Cash and short-term investments (at end of period)	103.5	114.1	10.2
Return on equity(1)	19.3%	21.6%	N/A
Surety bond operations data			
Loss (claims) ratio	1.3%	6.8%	N/A
Retained premium ratio(2)	24.0%	25.8%	N/A
Market share	40.0%	31.3%	N/A
Number of insurance brokers (at end of period)	1,528	2,414	59.0
Number of customers (insurance buyers) on record	19,133	25,078	31.1

(1) Adjusted return on equity represents the net income for the period over the average shareholders' equity for the period.
(2) Retained premium ratio represents retained premiums over gross written premiums.
(3) Market share until 30 September 2009.

From 1995 to 2008, losses paid by the Insurance Company represented only 1% of its revenue, while, according to SUSEP data, the market average for the same period was 5.5%.

The table below presents the amounts of losses (claims) paid by the Insurance Company and by reinsurers since 1997, showing the claims retained by the Insurance Company in the periods indicated:

	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009[(1)]**
Claims paid by the Insurance Company................................	120	152	158	114	137	94	112	487	1,727	9,996	584	4,188	9,838
Amounts paid by the reinsurer ..	42	30	37	69	49	62	24	403	1,075	9,859	119	3,016	6,948
Claims retained by the Insurance Company.............	**77**	**121**	**121**	**45**	**87**	**32**	**88**	**83**	**652**	**137**	**465**	**1,172**	**2,890**

(1) Refers to the nine months ended 30 September 2009.

The table below presents the insured amount, the number of policies, the average insured amount per policy, the direct and ceded premium, reflecting the growth of the retention percentage of the Insurance Company from 2000 to 2008:

				Premium – Surety		
Year/Period	**Insured amount**	**No. of policies**	**Insured Amount – Average per policy**	**Gross written premiums**	**Ceded premiums**	**% retention[(2)]**
	(in R$ millions)		**(in R$ millions)**	**(in R$ millions)**		
2000	5.3	15,442	0.343	21,375	(18.69)	13%
2001	6.3	17,461	0.361	27,622	(23.65)	14%
2002	5.8	17,913	0.326	40,028	(34.62)	14%
2003	6.8	14,482	0.470	45,373	(42.53)	6%
2004	8.3	17,125	0.485	58,133	(53.21)	8%
2005	8.0	21,296	0.375	61,908	(53.44)	14%
2006	9.8	32,197	0.304	81,404	(69.84)	14%
2007	18.9	36,496	0.580	174,251	(158.2)	9%
2008	21.1	45,740	0.580	214,487	(177.1)	17%
Nine months ended 31 September 2009	16.5	29,749	0.362	182,380	(151.2)	17%

(1) Refers to the average fee charged by the Insurance Company over the insured amount.
(2) Represents ceded premiums over gross written premiums.

The underwriting of business for which a surety bond is requested is based on a credit analysis that takes into account the following main elements:

Integrity. Reputation of the company for which a bond is requested and its partners that can be evidenced by reports on the Credit Protection Service of the Bank Services Centralizing Corporation (*Centralização de Serviços de Bancos S.A.*), or SERASA, by analysis of the company's business and by visits to the company's facilities, followed by an interview with its shareholders and executive officers.

Technical Skills. Evidence of the company's expertise in business lines comparable to those being analyzed. For this purpose, the Insurance Company analyzes the portfolio of projects/services already implemented or performed by the company, and, if necessary, the Insurance Company visits the company's facilities to assess its physical structure and technical team.

Capital. Assessment of the company's economic and financial situation based on its last three financial statements and also on certain cash flows from operations. This analysis is conducted by a credit committee of the Insurance Company, which, based on the customer's economic indicators, establishes the limit, ranking and rate for operation with the Insurance Company.

The credit analysts who comprise the Insurance Company's committee use the same credit software used by our Bank, and our management often advises the Insurance Company's management (and vice versa) of any out-of-the-ordinary situations it may become aware of affecting companies that maintain a relationship with both institutions.

Mandatory Insurance for DPVAT

In addition to the surety bond segment, the Insurance Company also operates in the DPVAT insurance segment. DPVAT is a type of insurance for all overland automotive vehicles in Brazil. This insurance has been mandatory by law in Brazil since 1974 and is intended to cover the operator's liability to victims of accidents caused by automotive vehicles on Brazilian highways. In 1986, an association was formed by a number of insurance companies to provide DPVAT, which we refer to as the DPVAT Association. The members of the DPVAT Association participate in it according to their shareholders' equity in the association on a *pro rata* basis. The DPVAT Association is managed by FENASEG. To become part of the DPVAT Association, insurance companies are required to inform FENASEG of their intent to become members of the association and agree to participate in the association.

The Insurance Company became a member of the DPVAT Association in 1993. At any time the Insurance Company may suspend its participation in this Association without incurring any costs or expenses. The Insurance Company does not take a pro-active approach toward this business, and it has no administrative or commercial structure aimed at serving the DPVAT market. The Insurance Company is a member of the DPVAT Association because (1) DPVAT is an important insurance product in Brazil and in 2008 it accounted for approximately 7.0% of gross written premiums in the Brazilian market, (2) in the last 20 years, the DPVAT Association has consistently demonstrated positive results, with increasing profitability and scale, because of the growth of the Brazilian automobile industry and the increase in the demand for vehicles, combined with the decrease in the number of accidents involving vehicles as a result of the Brazilian government's campaign to reduce accidents on highways, and (3) the Insurance Company incurs no direct cost or expense to be a member of the DPVAT Association.

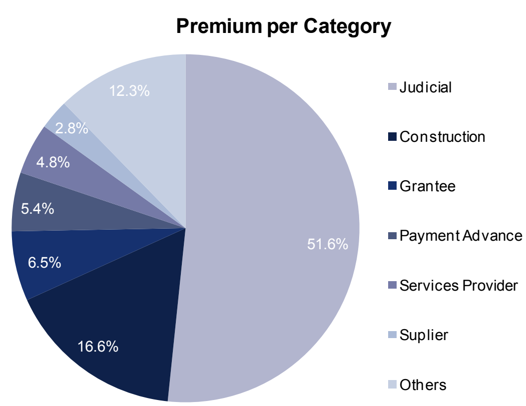
In addition to revenues from underwriting surety bonds and DPVAT insurance policies, the Insurance Company also has other important sources of revenue, which are (1) commissions paid by reinsurers, (2) 15% participation in the value of transactions carried out between the Insurance Company and IRB, and (3) financial revenues from investments in the financial market.

Insurance Company's Business Model

The Insurance Company's business model is based on (1) continuous development and expansion of its network of insurance brokers and branches, (2) continuous innovation and development of new products, (3) continuous improvement of the process for underwriting and credit approval, (4) strong relationships with international reinsurers, and (5) strengthening its direct relationships with customers and retirees and benefit recipients. The successful implementation of this model in recent years has shown consistent results, at levels that are higher than those of the Insurance Company's competitors. We believe that this model will enable the Insurance Company to grow in a profitable, consistent and sustainable way, without changing its risk profile.

Product Mix

The chart below shows the mix of products, including types of surety bonds, offered by the Insurance Company as of 30 September 2009:



Sources of Funds

We believe that our sources of funds are considerably diversified and well balanced. As of 30 September 2009, our main sources of funds were time deposits, which represented 80.0% of our balance of funds raised.

The table below provides details of our balances outstanding of our various fund sources as of the dates indicated:

	As of 31 December,						As of 30 September,			
	2006		2007		2008		2008		2009	
	Amount (in R$ millions)	%	Amount (in R$ millions)	%	Amount (in R$ millions)	%	Amount (in R$ millions)	%	Amount (in R$ millions)	%
Time deposits	454.5	62.8	722.6	81.4	696.4	60.1	895.5	78.7	783.5	68.1
Interbank deposits	20.6	2.8	63.6	7.2	65.6	5.7	96.6	8.5	147.4	12.8
Money market repurchase commitments	22.4	3.1	1.4	0.2	6.0	0.5	15.5	1.3	14.0	1.2
Loan assignments to financial institutions	123.5	17.1	42.4	4.8	292.2	25.2	9.8	0.9	142.4	12.4
Issuances of debt securities outside of Brazil	102.4	14.2	56.9	6.4	97.7	8.5	120.4	10.6	63.4	5.5
Total	**723.4**	**100.0**	**886.9**	**100.0**	**1,157.9**	**100.0**	**1,137.8**	**100.0**	**1,150.7**	**100.0**

Time Deposits - CDBs

Our main source of funds is the issuance of bank deposit certificates (*certificado de depósito bancário*), or CDBs, which normally mature in 12 months and bear interest linked to CDI rates, plus a spread. CDBs have been an important source of funds in recent years.

The table below shows the composition of our CDB portfolio, by investor profile:

	As of 31 December,			As of 30 September,	
Investor	2006	2007	2008	2008	2009
			(in R$ millions)		
Individuals	99.1	70.1	168.5	95.7	53.6
Legal entities[(1)]	176.3	365.4	301.1	416.0	420.8
Holders of senior equity interests in FIDC	106.0	210.3	123.9	151.1	34.0
Institutional investors	73.1	76.8	102.9	232.7	275.1
Total	**454.5**	**722.6**	**696.4**	**895.5**	**783.5**

(1) Includes CDBs held by the JMalucelli Group's companies, in the amounts of R$81.3 million, R$89.2 million and R$105.1 million as of 31 December 2006, 2007 and 2008, respectively, and of R$102.2 million and R$57.8 million as of 30 September 2008 and 2009, respectively.

Following the unstable liquidity phase experienced by medium-sized banks following the intervention of the Central Bank in Banco Santos S.A. in 2004, when deposit account holders lost confidence in small- and medium-sized banks and withdrew their time deposits from these institutions, our focus has been to further diversify our portfolio of investors in CDBs targeted at individuals, legal entities and non-financial institutions, thereby differentiating the composition of our time deposits from those of our competitors.

The table below shows the composition of our CDB portfolio as of 31 December 2008 and as of 30 September 2009, by maturity:

	As of 31 December 2008		As of 30 September 2009	
Maturity	**Composition (%)**	**Percentage**	**Composition (%)**	**Percentage**
	(in R$ million, except percentages)			
Up to 30 days	53.1	7.6	81.5	10.4
From 31 to 60 days	36.4	5.2	78.6	10.0
From 61 to 90 days	17.2	2.5	36.3	4.6
From 91 to 180 days	58.1	8.3	103.3	13.2
From 181 to 360 days	68.9	10.0	118.0	15.1
Over 360 days	462.7	66.4	365.8	46.7
Total	**696.4**	**100.0**	**783.5**	**100.0**

Loan Assignment Agreements

Loan assignment is an important tool for managing the growth of the volume of loans and our liquidity. Since 2005, we have entered into loan assignment agreements with several banks, under which we have the option, at our sole discretion, to periodically assign loans from our payroll deduction loan portfolio in exchange for payments in cash. We can also make loan assignments to other financial institutions with co-obligations, whereby in the event of default by the borrower we repurchase the loans on the amortization installment due date. Set forth below is a description of the principal loan assignment agreements into which we have entered with other financial institutions:

(a) we entered into a loan assignment agreement with co-obligations with Banco ABN Real S.A. on 17 July 2006, under which we assigned approximately R$18.0 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$14.0 million.

(b) we entered into three loan assignment agreements with co-obligations with Financeira Alfa S.A. on 30 May 2006 19 June 2006 and 16 August 2006, under which we assigned approximately R$89.0 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$75.0 million.

(c) we entered into three loan assignment agreements with co-obligations with Unibanco – União de Bancos Brasileiros S.A. on 9 March 2006, 20 March 2006 and 13 July 2006, under which we assigned approximately R$73.0 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$60.0 million.

(d) we entered into three loan assignment agreements with co-obligations with Banco Votorantim S.A. on 19 April 2006, 29 June 2006 and 30 January 2007, under which we assigned approximately R$70.0 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$59.0 million.

(e) we entered into a loan assignment agreement with co-obligations with Banco ABC Brasil S.A. on 30 June 2006, under which we assigned approximately R$17.0 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$13.0 million.

(f) we entered into a loan assignment agreement with co-obligations with Banco Santander S.A.. on 10 October 2008, under which we assigned approximately R$109.4 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$87.2 million.

(g) we entered into a loan assignment agreement with co-obligations with Banco Bradesco S.A. on 27 October 2008, under which we assigned approximately R$116.4 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$92.0 million.

(h) we entered into a loan assignment agreement with co-obligations with Banco Votorantim S.A. on 29 October 2008, under which we assigned approximately R$39.8 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$30.8 million.

(i) we entered into a loan assignment agreement with co-obligations with Banco do Brasil S.A. on 21 November 2008, under which we assigned approximately R$62.3 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$45.7 million.

(j) we entered into a loan assignment agreement with co-obligations with Banco do Brasil S.A. on 1 December 2008, under which we assigned approximately R$102.2 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$84.6 million.

(k) we entered into a loan assignment agreement with co-obligations with Banco Votorantim S.A. on 7 April 2009, under which we assigned approximately R$2.5 million (future contractual cash flows of the assigned loans as of the date of the assignment) in loans for approximately R$2.2 million.

In addition to the assignment agreements described above, we have available lines with other financial institutions for the assignment of up to R$590.8 million in loans generated by us.

Loan Rights Investment Funds – FIDCs

In order to generate liquidity, we have in the past carried out securitization transactions that involve assignment of loans in our payroll deduction loan portfolio to FIDCs, or loan rights investment funds, in exchange for payments in cash and, in some cases, for a given amount in subordinated equity interest in the FIDCs. Participation in the FIDCs to which we assign loans is represented by senior equity interest that is sold to investors and remunerated at a fixed return rate based on the CDI rate, and by subordinated equity interest held by us in the proportion of at least 25% of the FIDC's capital stock. The amount of the subordinated equity interest is available to be used to cover any loss incurred by the FIDC and its holders are entitled to recovery of their investment only in the amounts that exceed recovery of their investment by the holders of senior equity interest.

In July 2006, we launched our first FIDC, Paraná Banco I FIDC, with maturity in July 2009, at which time its obligations were liquidated and the FIDC was unwound. Senior equity interests of the Paraná Banco I FIDC were entitled to a rate of return of 109% of the CDI rate, with a grace period of 360 days for the holders of senior equity interest. Paraná Banco I FIDC was managed by JMalucelli Distribuidora de Títulos e Valores Ltda. and its equity interest was placed in the market by Banco Votorantim S.A. Paraná Banco I FIDC was rated brAAAf by Standard & Poor's.

In March 2007, we launched our second FIDC, Paraná Banco II FIDC, divided in series, with final maturity in 20 years, at which time its obligations will be liquidated and the FIDC will be unwound. The first series will mature in 36 months from the initial subscription date, which was 5 March 2007. Senior equity interests of the Paraná Banco II FIDC are entitled to a rate of return of 110% of the CDI rate, with a grace period of 360 days for the holders of senior equity interest. Paraná Banco II FIDC is managed by BEM - Distribuidora de Títulos e Valores Mobiliários Ltda. and its equity interest is placed in the market by Banco ABN AMRO Real S.A. Paraná Banco II FIDC was rated brAAf by Standard & Poor's under the category of issuance of securities abroad.

As of 30 September 2009, the balance of loans assigned by us to FIDCs was R$21.5 million. The outstanding balances of Paraná Banco I FIDC and Paraná Banco II FIDC are consolidated in our consolidated financial statements included elsewhere in this Offering Circular. See "Presentation of Financial and Other Information—Financial Statements Included in this Offering Circular."

Issuances of Debt Securities Outside of Brazil

Following our strategy to diversify our sources of funds, in 2008 we issued debt securities under the Programme in the aggregate principal amount of U.S.$35.0 million, all of which are still outstanding.

The table below presents the amounts issued, balances, interest rates and issuance and maturity dates for each series of outstanding securities:

Medium-Term Notes issued	Balance as of 30 September 2009[1]	Interest rate	Date of issuance	Maturity date
(U.S.$ million)	(R$ million)			
35.0	63.4	7.75%	08/06/2008	**08/08/2011**
35.0	**63.4**			

(1) Based on the 30 September 2009, exchange rate of R$1.7781 to U.S.$1.00.

Future Investments

In 2010, we expect to invest in the expansion of our credit portfolio, franchise network and the operations of JMalucelli Re.

Competition

Since the early 1990s the Brazilian banking sector has undergone a period of consolidation during which a number of banks were liquidated, important state-owned banks were privatized and many medium-sized banks were acquired by larger financial institutions.

According to the Central Bank, as of 30 September 2009, there were 139 multiservice banks, 20 commercial banks, 16 investment banks and a large number of brokerage firms, finance companies and other financial institutions operating in Brazil. Our principal competitors in the payroll deduction loan segment are specialized medium-sized banks, such as Banco Bonsucesso S.A., Banco BMG S.A., Banco BMC S.A. (which Banco Bradesco S.A. agreed to purchase in January of 2007) and Banco Cruzeiro do Sul S.A.

Particularly in the market for payroll deduction loans to INSS benefit recipients, competition has been considerably aggressive, with the use of nationwide advertising campaigns and prizes offered to attract new borrowers.

Until recently, the major private and state-owned retail banks had not been focusing their activities on the payroll deduction loan market. Although payroll deduction loans are the product that has recently grown the most rapidly in the consumer credit market, they compete directly with traditional credit products which produce higher spreads, such as overdraft accounts. Similarly, our payroll deduction loan credit cards both replace and compete with traditional credit cards without charging annuities, and with lower interest rates.

However, due to the growing attractiveness of the payroll deduction loan market and the risk of reduction of their customer base, certain large-sized banks may be considering entering into or increasing their participation in the Brazilian payroll deduction loan market, through the creation of new products, investments in distribution channels or acquisition of institutions that are already operating in the segment. The relatively lower cost of funding that large-sized banks enjoy, as well as their exclusive distribution networks, can present significant competitive advantages for large-sized banks that operate in the payroll deduction loan segment.

This could lead to the beginning of a process of consolidation in the payroll deduction loan segment, which could include additional acquisitions of specialized medium-sized banks by large-sized banks. If this consolidation process occurs, it could materially change the current competitive environment in the payroll deduction loan segment.

Risk Management

The approval process for payroll deduction loans is similar for public employees and INSS benefit recipients, including loans made through credit cards and the Quality Card. Our commercial department and our banking brokers are responsible for visiting the relevant employer or the INSS, as the case may be, and gathering all of the information necessary to prepare a complete report to be analyzed by our credit committee. Our credit committee is composed of our executive officers, including our chief executive officer. The report prepared after the visit to the relevant entity or employer contains information concerning applicable local legislation for the granting of payroll deduction loan, the financial situation of the employer or the INSS, as the case may be, particularly with respect to compliance with the *Lei de Responsabilidade Fiscal*, the Brazilian law of responsibility in fiscal management, as well as other technical information, including the number of employees, size of the payroll, payday, the employer's operating systems and the process for remittance of funding and reconciliations, among others.

The approval process for operations in the small and middle-market segment involves a detailed evaluation by our credit committee of each company's operations and financial information.

The credit reports for the approval of payroll deduction loans and operations in the small and middle-market segment are analyzed by our credit committee for approval and the setting of credit limits, which is carried out on a case-by-case basis. All approvals by the credit committee must be unanimous. Credit limits are reviewed in accordance with Central Bank requirements, i.e., every six months for entities that represent a risk of more than 5% of our net shareholders' equity, and every four years for entities that represent a risk of less than 5% of our net shareholders' equity. We may review any credit limit at any time whenever there are economic or market reasons for this review. However, we conduct monthly monitoring of the provision level for each agreement. This monitoring process enables changes and immediate intervention in the rules of the agreements, with the objective of maintaining the provision index below the market average and the discontinuance of any transaction that proves to be inconsistent with this objective.

By adopting a conservative policy, our financial management office controls for market risks on a daily basis, through operation and market monitoring systems which enable prompt tracing of our value at risk (VaR) and monitoring of the adjustment of our portfolio to preapproved exposure limits, with the aim of minimizing exposure risks from uncovered positions.

In addition to carrying out a cash management policy aimed at maintaining liquidity, our senior committee also prefers to add liquidity to our treasury transactions by investing in Brazilian government bonds. While Brazilian government bonds earn interest at rates lower than those of other financial instruments, they have immediate liquidity in the market. We continually monitor our current liquidity level and, whenever necessary, we take appropriate measures, such as reduction of our volume of loans and sale of Brazilian government bonds, among others.

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

Property

Headquarters and Branches

Our headquarters are located at Rua Visconde de Nacar, 1441, 80410-210, Curitiba, PR, Brazil. We are owners of the property on which our headquarters are located. Other than their respective headquarters, Brazilian financial institutions are required to sell any real property acquired as a result of judicial foreclosures in connection with their credit operations within up to three years from their acquisition. As of the date of this Offering Circular, we had no real properties acquired as a result of judicial foreclosures.

Intellectual Property

We have registered with the Brazilian Institute of Intellectual Property (*Instituto Nacional de Propriedade Industrial*), or INPI, the Brazilian institution that governs intellectual property, (1) the mixed trademark "Paraná Banco" and its related logo, and (2) the design trademark of Paraná Banco.

In addition, we are owners of nine other trademarks registered with the INPI, including "*Paraná Asset Management*," "*Paraná Banco Serviços Financeiros*," "*Emprestprev Paraná Banco*," "*Paraná Serviços*," "*Emprestfolha*," "*Flexfolha*," "*Emprestserv*," "*Paraná Banco Crédito e Produtos*," and "*Telesaque Paraná Banco*."

We have also registered the www.paranabanco.com.br domain with the relevant website registration agency (*Núcleo de Informação e Coordenação do Ponto BR*), or NIC.br, as well as the following domains: *www.descontoemfolha.com.br*, *www.eletroloja.com.br*, *www.emprestimosaoservidor.com.br*, *www.emprestimosinss.com.br*, *www.emprestimosparanabanco.com.br*, *www.emprestja.com.br*, *www.emprestserv.com.br* and *www.franquiaparanabanco.com.br*.

The information contained in the websites referred to in the preceding paragraph is not incorporated by reference in this Offering Circular.

Insurance

We have insurance coverage which insures our headquarters in the city of Curitiba against damage resulting from fire, lightning, explosions, electric damage, information technology equipment robbery, glass, mirror and marble damage, recovery of records, among others. We do not have any other insurance coverage with respect to our operations.

Information Technology

We have computerized systems that have been developed by companies specialized in the finance area, which we consider to be leaders in the market for information technology services for financial institutions. These third-party information technology service providers are responsible for ongoing management of our systems and the provision of prompt support services whenever necessary.

It is our policy to continuously improve our information systems, as well as to develop new information technology tools as called for, with the aim of keeping pace with the best available technologies.

It is also our policy to maintain our systems available to support our daily operations and to have excess capacity in case of a production peak or increased operations. We seek to maintain a technology structure that is adequate for our needs and acquire new technology resources, if needed.

Marketing

We operate in a competitive market, which requires that we constantly expand our marketing initiatives. Our current marketing initiatives include:

- direct mail;
- publication of newspaper advertisements;
- radio and television advertisements;
- advertisements on “urban furniture” (*móveis urbanos*), such as park benches;
- calendars of national, state and municipal holidays;
- loyalty programs;
- brochures and signs at government entities’ and employers’ offices.

Material Contracts

Our principal agreements are related to (1) funding through loan assignments to FIDCs, as described in “—Sources of Funds—Loan Assignment Agreements,” (2) distribution of our banking products, as described in “—Principal Business” and “—Distribution Chain” and (3) agreements related to payroll deduction loans to INSS benefit recipients and employees.

Loan Assignment Agreements

We have agreements with certain financial institutions, under which we have the option, at our sole discretion, to periodically assign loans from our payroll deduction loan portfolio in exchange for payments in cash. We can also make loan assignments to other financial institutions with co-obligations, whereby in the event of default by the borrower we repurchase the loans on the amortization installment due date.

See "—Sources of Funds—Loan Assignment Agreements" for a description of the principal loan assignment agreements into which we have entered with other financial institutions.

Service Agreements with Banking Brokers

We have service agreements with our banking brokers which are in accordance with CMN Resolution No. 3,110, dated 31 July 2003, which sets parameters for certain requirements that must be observed in these agreements. The service agreements provide for the provision of intermediary services by the banking brokers relating to payroll deduction loans, as well as the distribution of other products that form part of our financial portfolio. These contracts do not provide for a term of years and may be terminated by either party at any time upon providing notification to the other party. Before formalizing these agreements, we visit the prospective banking broker to evaluate its quality and operating potential in its region. Once contracted, the new banking broker must maintain an updated information registry. We maintain daily contact with our banking brokers in order to monitor productivity levels and to assure their compliance to our rules.

Pursuant to the terms of the agreements we enter into with them, our banking brokers are subject to a series of obligations to guarantee strong relationships between us and our customers, including, for example, the maintenance of an operational infrastructure necessary to execute banking services, the archiving of documents related to the diverse operations performed, and the guarantee that their employees and independent contractors have knowledge of the confidential nature of the banking operations, among others. The banking brokers are prohibited from entering into private financial operations, the entering of which would subject them to applicable penalties under the law. We commit to providing the appropriate forms and documents and to analyzing and processing the documentation in a timely manner to effect the banking operations. In addition, we agree to compensate the banking brokers according to the pre-agreed sales commissions and to provide training to the employees and independent contractors of the banking broker. The banking brokers may not assign the provision of the contracted services to third parties without our prior consent. Scheduled to the banking broker service agreement are (1) a list of the locations and branches where the specific banking broker will operate, (2) a commission calculation table, (3) a conduct, procedures and operational flow manual, and (4) terms of responsibility and conditions for the use of the "portal" and "web" systems.

Agreements with Employers

We enter into agreements with employers, whether public institutions or private companies, that authorize the Brazilian paycheck deductions to repay the loans we provide to their respective employees. Our main agreements with employers, in terms of loans are: (1) our agreement with INSS, (2) our agreement with the State of Paraná, (3) our agreement with the city of Curitiba, (4) our agreement with the city of Rio de Janeiro, and (5) our agreement with the State of Rio de Janeiro.

Human Resources

As of 30 September 2009, we had a total of 534 employees, including trainees and outsourced personnel. As of 31 December 2008 we had a total of 548 employees.

Benefits

The packages that we offer to our employees include health insurance, meal vouchers, food basket vouchers and transportation vouchers. Our employees are also eligible for profit sharing, as set forth in the collective bargaining agreement entered into among ourselves, the employees and their union, corresponding to 5% of our net income, limited to the equivalent of one salary for a six-month period. We sponsor a supplementary pension fund for our employees.

Unions and Collective Bargaining Agreements

Our employees belong to the *Sindicato dos Bancários de Curitiba e Região* and the *Sindicato dos Bancários de São Paulo*, the Curitiba and São Paulo banking employees' unions. Through the Brazilian Federation of Banks (*Federação Nacional dos Bancos*), or FENABAM, we executed a collective bargaining agreement with the banking employees' unions, which was in effect until 30 September 2009. The principal provisions of this agreement are the salary adjustment for the period, benefits and profit sharing for banking employees. Paraná Banco has its own agreement on profit sharing with its employees.

Net Turnover

We calculate our net turnover for a determined period by adding the number of employees or trainees hired and fired within that period and dividing the respective result by the total number of employees or trainees at the end of that period. Our net turnover as of 31 December 2007 and 2008 was 0.55 employees and 0.58 employees, respectively.

Legal and Administrative Contingencies

In the normal course of our business, we are party to legal and administrative proceedings of a civil, tax and labor nature. As of 30 September 2009, we had recorded provisions of R$2.7 million to civil matters, R$2.1 million to labor matters and R$2.0 million to tax matters with respect to losses that we deem to be probable.

The principal claim is described below:

- the National Institute of Colonization and Agricultural Reform (*Instituto Nacional de Colonização e Reforma Agrária*), or INCRA, Tax Administration System (*Sistema de Administração Tributária*), or SAT, and educational salary: Administrative proceeding initiated against us related to the INSS tax debt notice that calculated the social security contributions not paid by us to the INSS from March 1997 through December 2005 regarding the payment of part of the remuneration to employees by means of vouchers and credit cards provided by an outsourced company. These vouchers and credit cards were not recorded on our payroll neither were the related charges collected to the Receipt of Payment and Information to the Social Security (*Guia de Recolhimento do FGTS e Informações à Previdência*), or GFIP. Our management estimates that the amount of the contingency in this administrative proceeding is R$1.3 million.

We do not believe that any existing legal or administrative contingency, if decided unfavorably to us, would either individually or in the aggregate with other proceedings have a material adverse effect on our financial condition or results of operations.

We believe that we substantially comply with all applicable Central Bank regulations, and we are not a party to any material administrative proceedings with the Central Bank. Notwithstanding, in April 2007 we received a report as a result of an inspection carried out by the Central Bank in November 2006 with respect to our internal controls to prevent money laundering. Specifically, this correspondence highlighted some deficiencies in our internal controls. In addition, the Central Bank noted that we had not adequately fulfilled some commitments that we had made to the Central Bank in 2003. The Central Bank gave us 30 days to respond and submit a proposal to improve our internal controls. On 18 May 2007, we timely responded to the Central Bank's report, informing that some measures to improve our internal controls to prevent money laundering had already been implemented, such as the appointment of a committee to prevent money laundering and the acquisition of software to verify inconsistencies in our electronic database. In 2008, the Central Bank carried out another routine inspection and a further two in 2009, all regarding risks and control within our structure. These routine inspections are carried out in all Brazilian banks in order to monitor the Brazilian banking system. The report prepared by the Central Bank shows our strengths and weakness and gives us a specific mark. After every inspection we must prepare, within 30 days, a plan of action to improve any deficiencies that may have been highlighted by the Central Bank . The contents of the reports are confidential.

Social Responsibility, Sponsorship and Cultural Incentives

Projeto Futebol Cidadão

We are one of the principal sponsors of *Projeto Futebol Cidadão* (Project Citizen Soccer), a project created in 2006 to foster the participation in sports, tutoring, knowledge of computing, and social development and the provision of dental care to children and adolescents in need between the ages of 12 and 17. The project also provides social and educational assistance and counseling, which the participating children must accept in order to remain in the program. Through this project, we promote the distribution of the basic basket of goods to the participating families.

We have also participated in various cultural projects, for example the project *Natal Encantado - Curitiba Solidária*, in 2006. The objective of this project is to revitalize the celebration of Christmas in the city of Curitiba with offerings of entertainment and a spirit of solidarity.

Mirtillo Trombini Institute

We are the sponsor of the Mirtillo Trombini Institute, located in Morretes, which operates out of a large antique house built circa 1890. The house was declared a historical landmark and renovated to accommodate social functions. The Institute, which offers workshops in art, literature, music and environmental awareness, opened its doors to the public on 3 November 2007. In addition to sponsoring the project, Paraná Banco helped finance the restoration of the antique structure which today houses the Mirtillo Trombini Institute.

Raízes Curitibanas

We are the sponsor of Raízes Curitibanas, which seeks to preserve immigrant cultures through theatrical, dance and musical performances in public paces to ensure easy access to the entire populace. Performances are carried out in tourist locations in the city of Curitiba, such as "Largo da Ordem" and "Bosque do Papa," and are recounted using samples of Polish, German, Japanese, Italian, Portuguese, Spanish and Ukranian cultures.

Related Party Transactions

Pursuant to Brazilian legislation, financial institutions may not grant loans or advances to, or guarantee transactions of, their controlling shareholders, related companies, executive officers or relatives of their executive officers up to the second degree. For further information on the restrictions applicable to financial institutions, see "Regulation of the Brazilian Banking and Insurance Industries—Banking Industry—Main Limitations and Restrictions on Business of Financial Institutions." Accordingly, we do not grant loans or advances, nor guarantee any transaction of our controlling shareholder and of any of our related companies, executive officers or their relatives. However, this prohibition does not limit our ability to carry out transactions in the interbank market with our related companies in the financial sector.

The tables below set forth the balance of deposits with our related companies as of the dates indicated.

	As of 31 December,								
	Liabilities			Income			Expenses		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
	(in R$ millions)								
Description									
Demand deposits	0.3	0.8	0.3	-	-	-	-	-	-
Time deposits	81.3	89.2	104.7	-	-	-	9.8	10.7	12.3
Interbank deposits	-	-	-	-	-	-	-	1.2	-
Reimbursement of expenses	-	-	-	-	0.2	-	1.5	3.3	1.6
Rent	-	-	-	0.1	0.1	0.2	-	-	-
Totals	**81.6**	**90.0**	**105.0**	**0.1**	**0.2**	**0.2**	**11.3**	**15.2**	**13.9**

	As of 30 September,					
	Liabilities		Income		Expenses	
	2008	2009	2008	2009	2008	2009
	(in R$ millions)					
Description						
Demand deposits	0.1	0.2	-	-	-	-
Time deposits	101.9	84.3	-	-	8.5	8.4
Reimbursement of expenses	-	-	-	-	1.6	1.3
Rent	-	-	0.2	0.2	-	-
Totals	**102.0**	**84.5**	**0.2**	**0.2**	**10.1**	**9.7**

On 2 January 2007, we entered into an agreement for reimbursement of expenses with Porto de Cima, Administração, Participação e Serviços S.A., or Porto de Cima, a company controlled by Joel Malucelli. Pursuant to this agreement, we monthly reimburse to Porto de Cima a percentage of the expenses related to infrastructure and logistics services that we jointly use with other companies of the JMalucelli Group, depending on the nature of the expense. In March 2008, we paid R$0.4 million to Porto de Cima as reimbursement of expense. Although we have not conducted a specific market survey for these transactions, our management believes that they were carried out on an arm's length basis and on market conditions.

Furthermore, on 22 September 2005, we entered into a lease agreement with the Insurance Company pursuant to which two floors of the property in which our head offices are located are leased to the Insurance Company. The initial term of this lease agreement was 36 months, which term is renewable for equal and successive periods. We renewed the term of the lease for a further 36 months in 2008. The Insurance Company will pay a rent of R$7,500 per month, adjusted for the variation of the IGP-M. The Insurance Company has the obligation to pay 36% of taxes and charges due on the property. The agreement provides for a penalty in the case of delay of the payment, corresponding to 2% and interest rates of 1%. There is also a fine equivalent to the amount of three rents to the party that does not comply with the agreement. The agreement will be deemed automatically terminated in the event of (1) violation of the law or the agreement by any of the parties, (2) failure to pay the rent and taxes and charges for a period of 30 days after their due date and (3) fire, or bankruptcy of any of the parties. Although we have not conducted a specific market survey for these transactions, our management believes that they were carried out on an arm's length basis and on market conditions.

Our shareholder, chief executive officer and vice-president of our board of directors, Jorge Nacli Neto, has a franchise branch of the car rental company Hertz in the state of Paraná. Occasionally, we and our subsidiaries rent cars from this car rental store under conditions that we believe are on an arm's length basis. In 2008, the amount paid by our Bank and subsidiaries to the car rental store was R$0.1 million.

MANAGEMENT

Our management is composed of a board of directors and a board of executive officers. In addition, Articles 31 and 32 of our bylaws require us to have a fiscal council operating on a non-permanent basis. Currently, we have a fiscal council in place.

Board of Directors

Pursuant to our bylaws, our board of directors must be composed of at least five and a maximum of seven members, of whom at least 20% shall be independent directors. In the event that this percentage results in a fractionalized number of members of our board of directors, the same shall be rounded to a whole number: (1) that is immediately higher, when the fraction is equal to or greater than 0.5%; or (2) that is immediately lower, when the fraction is less than 0.5%. The independent director shall be identified as such at the shareholders' meeting when he/she is elected.

The board of directors is responsible for our business policy, as well as for the control of our performance. Among other responsibilities, our board of directors has the authority to elect or remove the members of our board of executive officers, establish their responsibilities and supervise the performance of their functions.

Shareholders elect the members of the board of directors for a unified term of office of two years, reelection being permitted. Shareholders also have authority to remove at any time any member of our board of directors. The members of our board of directors must necessarily be individuals and hold at least one share issued by us, irrespective of whether or not they are residents in Brazil. Pursuant to the Agreement of Adherence to Level 1 segment of the BOVESPA, the investiture as a member of our board of directors is conditioned to the signature of a term of acknowledgement of directors and executive officers, pursuant to which the members of our board of directors personally undertake to become subject to, and to act in accordance with, the Agreement of Adherence to Level 1 segment of the BOVESPA and the Level 1 regulations of the BOVESPA. In addition, pursuant to our bylaws, the members of our board of directors are subject to arbitration regulations.

In accordance with the terms of Article 141 of the Brazilian Corporations Law, as specifically amended by Law No. 10,303/01, the minority shareholders of publicly held companies who hold a shareholding participation of at least 15% of the total voting shares, or the holders of non-voting preferred shares or with restricted voting rights that represent at least 10% of the capital stock, or the holders of common shares and preferred shares that jointly represent at least 10% of the capital stock, are entitled to elect by separate voting one member of our board of directors.

Our board of directors is currently composed of five members, of whom one is an independent director, according to an election carried out during an extraordinary shareholders' meeting held on 16 March 2009. The term of office of the current members of our board of directors shall be extended until the annual shareholders' meeting that will review the accounts for the fiscal year ended 31 December 2010.

Pursuant to the share purchase and sale agreement, dated 6 March 2007, related to the transfer of control of the Insurance Company from Advent International to us, our controlling shareholder has agreed to designate a representative of Advent International as a member of our board of directors from the date Advent International becomes our shareholder and for as long as Advent International is the holder of at least 3.2% of our total capital stock. Advent International became a holder of our shares after the conversion of the subscription warrants.

The table below presents the name, age and title of the current members of our board of directors:

Name	Age	Title
Joel Malucelli	64	Chairman
Jorge Nacli Neto	57	Vice-Chairman
Alexandre Malucelli	40	Director
Hilário Mário Walesko	46	Director
Mu Hak You	57	Independent Director

The business address of all members of our board of directors is Rua Visconde de Nacar, 1441, 80410-210, Curitiba, PR, Brazil.

A brief biographical description of each one of the members of our board of directors is presented below:

Joel Malucelli. Mr. Joel Malucelli is our indirect controlling shareholder, our chief executive officer and the president of JMalucelli Group. Before founding our Bank, he was the president of the JMalucelli Group heavy civil construction company. He was president of the Association of Credit, Financing and Investment Companies of the States of Paraná and Santa Catarina. In 2002, 2003 and 2004, he was elected Entrepreneurial Leader by the Forum of Gazeta Mercantil newspaper. He is currently a member of the board of directors of the Trade Association of the State of Paraná and of the Federation of Industries of the State of Paraná. He graduated with a degree in economics from Universidade Federal do Paraná. He has been working for our Bank for 29 years.

Jorge Nacli Neto. Mr. Jorge Nacli Neto is a shareholder and vice-chairman of the board of directors and was formerly our administrative and financial executive officer, vice-president and chief executive officer, from 1979 (still as Paraná Financeira) to 1996. Prior to joining our Bank, he was the chief financial officer, Brazilian chief executive officer and member of the board of directors of Itaipu Binacional, from 1989 to 1993. He is a public servant of the Brazilian judiciary branch and titleholder of the real estate registry of the City of Marechal Cândido Rondon, in the State of Paraná, as well as a member of the board of directors of the Insurance Company. He graduated with a degree in business administration from the Paraná Foundation for Social Studies (*Fundação de Estudos Sociais do Paraná*), or FESP.

Alexandre Malucelli. Mr. Alexandre Malucelli is a member of the board of directors. He has been active in the JMalucelli Group since 1986, helping to manage a number of companies. He was involved in the development of the Bank until 1991, when he was designated to coordinate the project for opening of the Insurance Company. He was the executive responsible for the start-up of the Insurance Company and is currently executive vice-president. He has 19 years of experience in the insurance sector, of which 13 are in the surety bond sector. He participated actively in the development of the surety bond sector in Brazil, and guided the Insurance Company into becoming the leading player in the sector. He is a member of the executive committee of PASA – Pan-American Surety Association. He graduated with a degree in business administration from the Positivo College of Paraná.

Hilário Mário Walesko. Mr. Hilário Mário Walesko is a member of the board of directors. He began his activities with the bank in 1999 and presently also acts as accountant for the bank, for the Insurance Company and for other companies. He has been active in the financial markets for 24 years. He graduated with a degree in accounting sciences in 1989 from the Federal University of Paraná (*Universidade Federal do Paraná*), or UFPR — specialization degree in business administration and in accounting and auditing by the School of Administration and Economics (*Faculdade de Administração e Economia*), or FAE.

Mu Hak You. Mr. Mu Hak You is a member of our board of directors since March 2009, acting as an Independent Director. He is the founder and vice-chairman of GWI Asset Management since 1995. He has being working in the financial markets for 29 years and has worked for Citibank, Bankers Trust and Banco Nacional. He was member of the board of directors of Lojas Americanas S.A. and Eternity S.A. He graduated with a degree in business administration from Fundação Getúlio Vargas – FGV in 1979.

Board of Executive Officers

Our bylaws establish that our board of executive officers shall be composed of at least two and a maximum of seven executive officers, of whom one is designated as chief executive officer, one as investor relations executive officer, one as commercial executive officer, one as administrative executive officer, one as financial executive officer, one as human resources executive officer and one as third parties' resources executive officer. These positions may be cumulative. Our executive officers are responsible for the daily management of our business, as well as for the general orientation of our administrative, organizational and operational strategy.

Pursuant to the terms of the Brazilian Corporations Law, all members of our board of executive officers must be domiciled in Brazil, irrespective of whether or not they are shareholders.

Our executive officers are elected by our board of directors for a term of office of two years, reelection being permitted. According to Article 143 of the Brazilian Corporations Law, a maximum of one-third of the members of our board of directors can be elected to take office on our board of executive officers. Our executive officers may be removed at any time by our board of directors.

As it is also the case for the members of the board of directors, upon the execution of the Agreement of Adherence to Level 1 segment of the BOVESPA, the investiture of our executive officers became conditional to the execution of a term of acknowledgement of directors and executive officers, pursuant to which our new executive officers personally undertake to be subject to, and to act in accordance with, the Agreement of Adherence to Level 1 segment of the BOVESPA and to the Level 1 regulations of the BOVESPA. Our executive officers are also subject to arbitration regulations, pursuant to our bylaws.

Our board of executive officers is currently composed of six members. The table below presents the name, age, title and date of election of the members of our board of executive officers:

Name	Age	Title	Date of Election
Jorge Nacli Neto..................	57	CEO and Vice Chairman	March 9, 2009
Cristiano Malucelli..............	36	Vice Chief Executive Officer, Investor's Relations Executive Officer and Human Resources Executive Officer	March 9, 2009
André Luiz Malucelli...........	43	Chief commercial officer	March 9, 2009
Luis César Miara.................	56	Chief financial officer	March 9, 2009
Anilson Fieker Pedrozo........	43	Assistant executive officer	March 9, 2009
Vander Della Colleta...........	57	Chief administrative officer	March 9, 2009

The business address of all members of our board of executive officers is Rua Visconde de Nacar, 1441, 80410-210, Curitiba, PR, Brazil.

A brief biographical description of each one of the members of our board of executive officers is presented below:

Jorge Nacli Neto. For further information see "—Board of Directors."

Cristiano Malucelli. Mr. Cristiano Malucelli joined the bank in 2000, holding a managerial position. He is currently the vice chief executive officer, investor relations executive officer and human resources executive officer. He is also the chief executive officer of JMalucelli DTVM Ltda. He graduated with degree in business administration from Pontifícia Universidade Católica - Paraná and a master´s degree (MBA) from MIT Massachusetts Institute of Technology Sloan School of Management.

André Luiz Malucelli. Mr. André Luiz Malucelli is a shareholder and our chief commercial officer. He is responsible for our credit, financing and investment portfolio and for our commercial portfolio before the Central

Bank of Brazil. He has 22 years of experience in working for financial institutions, of which 21 years he has spent working for our Bank. He is currently a director of JMalucelli DTVM Ltda., treasurer of the Association of the Credit, Financing and Investment Companies of the State of Paraná, and since 1991 has been holding the position of director of the Brazilian Association of Commercial Banks. Mr. André L. Malucelli graduated with a degree in business administration from Universidade Federal do Paraná and majored in banking at the GVPEC Program.

Luis César Miara. Mr. Luis César Miara joined the bank in 2006, holding the position of director. He is currently our chief financial officer. He is also a director of JMalucelli DTVM Ltda. Before joining the bank, he worked at CR Almeida Engenharia Construções, CELEPAR (the data processing company of the State of Paraná), and COPEL (the power utility company of the State of Paraná). Mr. Luis César Miara was president of *Fundação COPEL de Previdência e Assistência Social* (a foundation providing social security and assistance in the State of Paraná) from 1995 to 2003. He graduated with a degree in electrical engineering from Universidade Federal do Paraná.

Anilson Fieker Pedrozo. Mr. Anilson Fieker Pedrozo has 22 years of experience in financial and administrative management. He started working for the Bank in 1992 and since 2002 has held the position of administrative superintendent. He graduated with degree in accountancy from Centro Universitário Campos de Andrade - Paraná.

Vander Della Colleta. Mr. Vander is an administrative director and also a credit director. He joined the Bank in 1995 as an executive director. He has worked in financial institutions since 1979, holding supervising and managing roles in several corporate areas, gathering professional experience as a director of the Safra group and, later, of the Sudameris and the Noroeste groups, participating actively in a broad range of administrative and managerial projects. He holds a degree in economic sciences from Fundação Getúlio Vargas – FGV and a specialization in corporate finance from Universidade Federal do Paraná – UFPR / Ceppad.

Family Relationships between Our Executive Officers and the Controlling Shareholder

Mr. Joel Malucelli is the father of Mr. Cristiano Malucelli and Mr. Alexandre Malucelli, and a fifth-degree cousin of Mr. André Luiz Malucelli.

Fiscal Council

According to Article 161 and subsequent of the Brazilian Corporations Law, the fiscal council is a corporate body that acts independently from the company's management and independent auditors. The fiscal council can operate either on a permanent or on a non-permanent basis, in which case it operates only during the fiscal year when its installation is requested by the shareholders at a shareholders' meeting. Our bylaws provide for a non-permanent fiscal council. The fiscal council is composed of at least three and a maximum of five regular members, with an equal number of alternates. According to our bylaws, the members of the fiscal council are subject to arbitration regulations.

The principal responsibilities of the fiscal council consist of controlling the activities of management, reviewing the company's financial statements and reporting its conclusions to the shareholders. The Brazilian Corporations Law requires that the members of the fiscal council receive remuneration of at least 10% of the average amount paid annually to the company's executive officers. In addition, the Brazilian Corporations Law requires that the fiscal council be composed of at least three and a maximum of five regular members and an equal number of alternates.

Pursuant to the Brazilian Corporations Law, our fiscal council cannot be composed of (1) members of our board of directors; (2) members of our board of executive officers; (3) our employees; (4) employees of any company that we control or of any company that is part of our group; or (5) spouses or relatives up to the third degree of any member of our board of directors or of our board of executive officers.

Our fiscal council was installed on 14 March 2008. Our current fiscal council was elected on 16 March 2009.

The table below presents the name and age of the members of our fiscal council:

Name	Age
João Luiz Moreira de Mascarenhas Braga	30
Luis Roberto Castigline de Lima	55
Nelson Carlos Cavichiolo	67
Julio Yoshiyuki Kitaguchi	51
Maurício Alvarez da Silva	34

A brief biographical description of each one of the members of our fiscal council is presented below:

João Luiz Moreira de Mascarenhas Braga. Mr. Joao Luiz Moreira de Mascarenhas Braga is a member of our fiscal council since March 2009. He graduated with a degree in electrical engineering from Universidade de São Paulo (USP) and has a master´s degree (MBA) at IBMEC Business School. He is currently an equity analyst at Hedging Griffo Asset Management.

Luiz Roberto Castiglione de Lima. Mr. de Lima has been a member of our fiscal council since March 2008 and is an economist, statistician, professor and business consultant with over 25 years experience working with large national and foreign companies, developing and implementing budget and costs systems, conducting financial, tax and strategic planning, and elaborating business plans for finance and insurance companies, in addition to teaching courses and giving lectures in various institutions in Brazil. Mr. de Lima is a member of the Brazilian National Academy of Insurance and Prevention, the Roncaratti Institute of Insurance, and MIT via the Institute for International Research of Brazil.

Nelson Carlos Cavichiolo. Mr. Nelson Carlos Cavichiolo has been a member of the fiscal council since March 2009. He was member of the fiscal council of Indústria de Bebidas Hugo Cini and of Construtora Irmãos Thá. He was an independent member of our board of directors between 2007 and 2009. He has been a businessman in the area of auditing and accounting since 1964. He graduated in 1979 with a degree in accounting sciences from *Fundação de Estudos Sociais* of the State of Paraná – FESP.

Julio Yoshiyuki Kitaguchi. Mr. Kitaguchi has been a member of the fiscal council since March 2009. He graduated with degree in business administration from Faculdades Oswaldo Cruz. He has worked in other financial institutions including Banco Sudameris, Credibanco and Banco Santos, and insurance companies including Comind Seguros, Iochpe Seguros, Multiplic Seguros, Trevo Seguradora and Sasse Seguros. He is currently chief of business intelligence of I4PRO Informatica.

Maurício Alvarez da Silva. Mr. da Silva has been a member of the fiscal council since March 2009. He graduated with a degree in accounting sciences from *Fundação de Estudos Sociais* of the State of Paraná – FESP. He is currently a partner of Audiacto Auditores Independentes.

Compensation

According to our bylaws, our shareholders must determine at a shareholders' meeting the overall compensation of the members of our board of directors and of our board of executive officers. It is our board of directors' duty to determine the individual amounts to be paid to its members and to the members of our board of executive officers.

The overall direct compensation of the members of our board of directors and board of executive officers for 2008 was R$5.0 million. There was no payment of indirect compensation to the members of our board of directors in 2008.

The overall compensation of the members of our board of directors and board of executive officers for 2009 is expected to be R$5.0 million.

Stock Option Plans

As of the date of this Offering Circular, we had no stock option plans.

Shares Held by Our Directors and Executive Officers

The table below presents the number of shares currently held directly and indirectly by our directors and executive officers, as well as the percentage that their individual holdings represent of the total number of shares issued by us as of the date of this Offering Circular.

Directors and Executive Officers	Common shares	Preferred shares	% of total shares of our Bank
Joel Malucelli[(1)]	20,612,654	2,154,444	24.26
Jorge Nacli Neto	3,293,400	1,932,000	5.57
André Luiz Malucelli	740,481	129,621	0.93
Cristiano Malucelli[(1)]	3,408,068	303,689	3.96
Alexandre Malucelli[(1)]	3,408,068	416,049	4.08
Luis César Miara	-	11,974	0.01
Hilário Mário Walesko	-	1	0.00
Mu Hak You	-	1	0.00
Total	**31,462,671**	**4,947,779**	**38.80**

(1) Indirect participation through JMalucelli Holding S.A.

PRINCIPAL SHAREHOLDERS

As of the date of this Offering Circular, we had issued 93,830,032 shares, of which 56,724,976 are common shares and 37,105,056 are non-voting preferred shares. All of our shares are nominative, registered and book-entry shares, without par value and are fully subscribed and paid up. Our preferred shares are listed on the Level 1 segment of the BOVESPA, under the symbol PRBC4. Our preferred shares are also traded in the form of American Depositary Receipts under a Level I ADR program under the symbol PRBAY.

Our preferred shares do not have voting rights at deliberations of general shareholders' meetings but do have the following rights, among others: (a) participation in the profits in the same conditions as holders of common shares; (b) priority in the reimbursement of capital stock; (c) tag along rights triggered by the sale of our control at the same price per common share of the controlling block, and (d) the right to be included in any public tender offer to acquire shares, under the same conditions and price paid for our common shares that are part of a controlling stake, as a result of the sale or transfer of our control, the cancellation of our registration as a publicly-held company or the cancellation of our listing on the Level 1 segment of the BOVESPA.

Our shareholders may, at any time, convert their common shares into preferred shares, at the ratio of one common share to one preferred share, as long as they are paid-in and the limit set forth by law is respected.

In addition, in the event of our liquidation, our shareholders are entitled to capital reimbursement in the proportion of their stock holdings after our debts and liabilities have been satisfied. Except in certain specific cases provided by the Brazilian Corporations Law, our shareholders are entitled to participate in our capital stock increases in the proportion of their stock holdings.

The table below contains information on the number of common and preferred shares issued by us, as of 4 November 2009:

	Composition of capital stock					
Shareholders	**Common**	**%**	**Preferred**	**%**	**Total**	**% Total**
Jmalucelli Holding S.A.[(1)]	41,061,063	72.39	3,658,903	9.86	44,719,966	47.66
Jorge Nacli Neto..	3,293,400	5.81	1,932,000	5.21	5,225,400	5.57
R&S Maluceli Adm, e Participação Ltda.[(2)]..........................	5,462,152	9.63	1,325,587	3.57	6,787,739	7.23
Advent International[(3)]...	-	0.00	7,309,332	19.70	7,309,332	7.79
GWI Consultoria Particpações e Serviços	-	0.00	6,636,000	17.88	6,636,000	7.07
Credit Suisse Hedging-Griffo Corretora	-	0.00	3,845,400	10.36	3,845,400	4.10
JMalucelli Adm. de Bens Ltda. [(4)]	-	0.00	2,808,325	7.57	2,808,325	2.99
Small Cap World Fund Inc.	-	0.00	2,318,400	6.25	2,318,400	2.47
Treasury	-	0.00	603,000	1.63	603,000	0.64
Others..	6,908,361	12.18	6,668,109	17.97	13,576,470	14.47
Total	**56,724,976**	**100.00**	**37,105,056**	**100.00**	**93,830,032**	**100.00**

(1) Joel Malucelli holds 50.2% of the equity interest in JMalucelli Holding S.A. Each of Cristiano Malucelli, Alexandre Malucelli, Mônica Malucelli do Amaral, Paola Malucelli de Arruda, Julia Malucelli and Gabriel Malucelli holds 8.3% of the remaining equity interest in such company.
(2) R&S Malucelli Administração e Participação Ltda. (7.23%) (each of Rosaldo Malucelli and Sara M. A. Malucelli holds 50% of R&S Malucelli Administração e Participação Ltda.).
(3) On 4 December 2009, Advent International sold 4,266,700 of its preferred shares, which will reduce its holding from 19.70% to 8.30% of the total preferred shares issued by the Bank. As of the date hereof, we cannot accurately state the impact such sale will have on the other shareholdings.
(4) JMalucelli Administradora de Bens Ltda (2.99%) (Joel Malucelli holds 99.9%).

DIVIDENDS AND DIVIDEND POLICY

Amounts Available for Distribution

At each annual general shareholders' meeting, our board of directors is required to advise on how to allocate our net income for the preceding year. The allocation is subject to approval by our shareholders. The Brazilian Corporations Law defines "net income" for any fiscal year as the results in a given year after the deduction of accrued losses, the provisions for income and social contribution taxes for that year, accumulated losses from prior years, and any amounts allocated to profit-sharing payments to the employees and management.

Our bylaws provide that an amount equal to at least 25% of our adjusted net income, after deducting allocations to the legal and contingency reserves, should be available for distribution as dividend or interest on shareholders' equity in any given year. This amount represents the mandatory dividend. Our calculation of net income and allocations to reserves for any year, as well as the amounts available for distribution, are determined on the basis of our financial statements prepared in accordance with the Brazilian Corporations Law. See "—Payment of Dividends and Interest on Shareholders' Equity—Interest on Shareholders' Equity."

Subscription receipts are neither entitled to receive dividends or interest on shareholders' equity paid in respect of our preferred shares, nor to exercise voting rights in those specific circumstances set forth in the Brazilian Law and the rules of Level 1 segment of the BOVESPA.

Reserve Accounts

Our profit reserve accounts are comprised of the legal reserve, unrealized profit reserve, contingency reserve, statutory reserve and retained profit reserve.

Legal Reserve

We are required to maintain a legal reserve to which we must allocate 5% of our net profits for each fiscal year until the aggregate amount of the reserve equals 20% of our paid-in capital stock. However, we are not required to make any allocations to our legal reserve in a year in which the legal reserve, when added to our other established capital reserves, exceeds 30% of our capital stock. Any net loss may be offset with the amounts allocated to the legal reserve. The amounts allocated to such reserve must be approved by our shareholders in a shareholders' meeting, and only may be used to increase our capital stock or to offset losses. Therefore, they are not available for the payment of dividends. As of 31 December 2008, we maintained a legal reserve of R$1.8 million, equivalent to 0.2% of our paid-in capital stock.

Unrealized Profit Reserve

Pursuant to the Brazilian Corporations Law, the amount by which the mandatory dividend exceeds the "realized" net profits in a given year may be allocated to an unrealized profit reserve account. The Brazilian Corporations Law defines "realized" net profits as the amount by which our net profits exceeds the sum of (1) our net positive results, if any, from the equity method of accounting; and (2) the profits, gains or income that will be received by our Company after the end of the next fiscal year. Profits recorded in the unrealized profit reserve, if realized and not absorbed by losses in subsequent years, must be added to the next mandatory dividend distributed after the recognition. As of 31 December 2008, we did not have an unrealized profit reserve.

Contingency Reserve

Pursuant to the Brazilian Corporations Law, a percentage of our net profits may be allocated to a contingency reserve for anticipated losses that are deemed probable in future years, if their amount may be estimated. Any amount so allocated must be reversed in the fiscal year in which a loss that had been anticipated fails to occur as projected or charged off in the event that the anticipated loss occurs. As of 31 December 2008, we did not have a contingency reserve.

Bylaws Reserve

Pursuant to the Brazilian Corporations Law, we are permitted to provide for the allocation of part of our net profits to discretionary reserve accounts that may be established in accordance with our bylaws, which must also indicate the purpose, allotment criteria and maximum amount of the reserve. The allocation of our net profits to discretionary reserve accounts may not be made if it affects the payment of the mandatory dividend. As of 31 December 2008, we maintained a statutory reserve of R$35.3 million, equivalent to 4.6% of our paid-in capital stock.

Our bylaws currently set forth the reserve for the integrity of the shareholders' equity which purpose is to assure funds to meet regulatory and operating needs of shareholders' equity of our Bank and subsidiaries. This reserve may be converted into capital stock upon approval of our board of directors as long as it is within the limit of the authorized capital stock. According to our board of directors' proposal, the reserve will be composed of up to 80% of the remainder net income after the allocations provided by Article 39 of our bylaws and it may not exceed the amount of our capital stock.

Retained Profit Reserve

Pursuant to the Brazilian Corporations Law, our shareholders may decide at the annual general shareholders' meeting to retain a portion of our net profits, as provided for in a capital expenditure budget that has been previously approved. The allocation of funds to this reserve cannot jeopardize the payment of the minimum mandatory dividends. As of 31 December 2008, we did not have a retained profit reserve.

The balance of our profit reserve accounts, except for the contingency reserve and the unrealized profits reserve, may not exceed our share capital. If so, a shareholders' meeting would vote on whether the excess should be used to pay in subscribed and unpaid capital, or to increase the share capital or to distribute dividends.

Capital Reserves

Pursuant to the Brazilian Corporations Law, we may maintain capital reserves in which we may record goodwill paid in connection with the subscription of our shares, mergers, sale of warrants or debentures, and tax incentives, donations and granting for investments. After our adherence to the Level 1 segment of the BOVESPA, we cannot issue participation certificates. As of 31 December 2008, we maintained a capital reserve of R$0.1 million, equivalent to 0.01% of our paid-in capital stock.

Payment of Dividends and Interest on Shareholders' Equity

The Brazilian Corporations Law requires that the bylaws of a Brazilian company specify a minimum percentage of the available profits for the mandatory dividend, which must be paid to shareholders as either dividends or interest on shareholders' equity. Under our bylaws and the Brazilian Corporations Law, a minimum of 25.0% of our adjusted net income pursuant to Article 202 of the Brazilian Corporations Law. However, the payment of mandatory dividends to our shareholders may be limited to the amount of realized net income in a given year, provided the difference should be recorded as unrealized profit reserve, as discussed above under "—Reserve Accounts—Unrealized Profit Reserve." Our calculation of net income and allocations to reserves for any year, as well as the amounts available for distribution, are determined on the basis of our non-consolidated financial statements prepared in accordance with the Brazilian Corporations Law.

The Brazilian Corporations Law allows, however, a company to suspend such dividend distribution if its board of directors reports to our annual shareholders' meeting that the distribution would not be advisable given the company's financial condition. The fiscal council, if in place at the time, reviews any suspension of the mandatory dividend. In addition, our management should submit a report to the CVM setting out the reasons for the suspension. Net income not distributed by virtue of a suspension is allocated to a separate reserve and, if not absorbed by subsequent losses, is required to be distributed as dividends as soon as the financial condition of the company should permit such payment.

Dividends

We are required by the Brazilian Corporations Law and our bylaws to hold an annual shareholders' meeting no later than the fourth month after each fiscal year, at which time the allocation of the results of operations in any year and the distribution of an annual dividend are reviewed. The payment of quarterly dividends is based on our non-consolidated, audited financial statements prepared for the immediately preceding fiscal year.

Any holder of record of shares at the time a dividend is declared is entitled to receive dividends. Under the Brazilian Corporations Law, dividends are generally required to be paid within 60 days following the date on which the dividend is declared, unless the shareholders' resolution established another payment date, which, in any event, must occur before the end of the year in which the dividend is declared.

Shareholders have a three-year period from the date of the dividend payment to claim the dividends or interest on shareholders' equity with respect to their shares, after which the aggregate amount of any unclaimed dividend shall legally revert to us.

Our board of directors may declare interim dividends or interest on shareholders' equity based on realized profits verified in semi-annual financial statements. The board of directors may also declare dividends based on financial statements prepared in shorter periods, provided that the total amount of dividends paid in each semester does not exceed the amounts accounted for in our capital reserve account set forth in paragraph 1 of Article 182 of the Brazilian Corporations Law. Interim dividends also may be paid from profit reserve accounts based on the latest annual or semi-annual financial statements. Any payment of interim dividends may be set off against the amount of mandatory dividends relating to the net profits earned in the year in which the interim dividends were paid. The interest on shareholders' equity can be considered as an advance of the mandatory dividend related to net earnings at the end of the year.

Interest on Shareholders' Equity

Since 1 January 1996, Brazilian companies have been authorized to pay interest on shareholders' equity to holders of equity securities, and to treat those payments as a deductible expense for purposes of calculating IRPJ and, since 1998, the social contribution tax. The amount of the tax deduction in each year is limited to the greater of (1) 50% of our net income (after the deduction of any allowances for social contribution taxes but before taking into account allowances for income tax and the interest on shareholders' equity) for the period in respect of which the payment is made; and (2) 50% of our accumulated profits and profit reserve at the beginning of the relevant period. The rate applied in calculating interest on shareholders' equity cannot exceed the *pro rata die* variation of the long-term interest rate (TJLP interest rate). Payments of interest on shareholders' equity, net of IRRF, may be considered as part of the mandatory dividend distribution. Under applicable law, we are required to pay to our shareholders an amount sufficient to ensure that the net amount they receive in respect of interest on shareholders' equity, after payment of any applicable withholding tax, plus the amount of distributed dividends, is at least equivalent to the mandatory dividend amount.

Amounts Paid as Dividends or Interest on Shareholders' Equity

The table below shows the dates and amounts paid to our shareholders in the periods indicated.

	For the year ended 31 December,		
	2006	2007	2008
Dividends/Interest on shareholders' equity	(in R$ thousand)		
Interest on shareholders' equity, net of income tax	6,970	26,080	35,506
Dividends balance	25,300	-	-
Subtotal	32,270	26,080	35,506
Income tax on interest on shareholders' equity	1,230	4,602	5,883
Total	33,500	30,682	41,389

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes (the "Conditions") that (subject to completion and amendment in accordance with the Indenture, as defined below) will be applicable to each Series of Notes, provided that the applicable Final Terms in relation to any Series of Notes may specify other terms and conditions that shall, to the extent so specified or to the extent inconsistent with these Conditions, replace the following Conditions for the purposes of such Series of Notes.

The Conditions, as modified by the relevant Final Terms, shall be contained on the reverse side of each Note and incorporated by reference therein.

1. General

This Note is one of a duly authorized issue of Medium Term Notes (the "Notes") of Paraná Banco S.A. (the "Issuer") issued pursuant to an Indenture (the "Indenture") dated as of 14 July 2008, among the Issuer, The Bank of New York Mellon, London Branch, as Trustee, London Paying Agent and Registrar, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Principal Paying Agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Listing and Paying Agent.

The holders of the Notes will be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture. Copies of the Indenture are available free of charge at the specified office of each of the Paying Agents.

The Notes will be issued in series (each a "Series"). Each Series will be the subject of a Final Terms (each a "Final Terms") prepared by or on behalf of the Issuer. A copy of each Final Terms will be obtainable at the specified office of the Trustee and each of the Paying Agents.

Words and expressions defined in the Indenture or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated.

2. Form, Denomination and Title

Notes of each Series may be issued in bearer form and sold in transactions outside the United States in reliance on Regulation S ("Regulation S") under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Such Notes will initially be represented by a temporary global Note without coupons (the "Temporary Global Note"), which will be deposited on or prior to the Issue Date of such Notes with the Common Depositary for Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global Note without coupons (the "Permanent Global Note") on or after the date (the "Exchange Date") that is the 40th day after the Issue Date of such Notes upon certification of non-U.S. beneficial ownership as set forth in the Indenture. Notwithstanding the foregoing, if indicated in the applicable Final Terms, Notes with a maturity of not more than one year may initially be represented by one or more Permanent Global Notes.

If an interest payment date for any Notes occurs while such Notes are represented by a Temporary Global Note, the related interest payment will be made against presentation of the Temporary Global Note only to the extent that certification of non-U.S. beneficial ownership (in the form set out in the Indenture) has been received by Euroclear or Clearstream. No payments of interest will be made on a Temporary Global Note after the Exchange Date. Payments of principal of or interest (if any) on a Permanent Global Note will be made through Euroclear and Clearstream against presentation or surrender, as the case may be, of the Permanent Global Note without any requirement for certification.

The following legend will appear on all Temporary Global Notes, Permanent Global Notes and any other bearer Notes (except on certain Notes having a maturity of not more than one year) and on any Coupons: "Any

United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

Notes of each Series may also be issued in registered form and sold in transactions outside the United States in reliance on Regulation S under the Securities Act. Such Notes shall initially be issued in the form of a registered global Note without interest Coupons, which shall be deposited with the Common Depositary for Euroclear and Clearstream. On or prior to the 40th day after the completion of the distribution of the Securities, beneficial interests in the Global Note may be held only through Euroclear and Clearstream.

Notes will be issued in such denominations as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.

The Notes may be issued (a) to bear interest on a fixed-rate basis ("Fixed Rate Notes"), (b) on a non-interest bearing basis ("Zero Coupon Notes") or (c) in any combination thereof as specified in the applicable Final Terms. References in these Conditions to a Note being denominated in a Specified Currency (as defined in Condition 6(a)) shall, unless the context otherwise requires, include a reference to such Note being payable in that Specified Currency.

Except as set forth below, title to the Notes and Coupons will pass by delivery and the Issuer and any Paying Agent may deem and treat (and no such person will be liable for so deeming and treating) the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set forth in the next succeeding paragraph. Notwithstanding the foregoing, title to Registered Global Notes shall pass by registration thereof in the Register.

For so long as any of the Notes is represented by a global Note, each person who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular nominal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer or holder of the relevant Global Note shall be deemed to be the holder of such nominal amount of Notes in accordance with and subject to the terms of the relevant Global Note (and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, as the case may be.

3. Issue of Definitive Notes

Definitive bearer Notes with coupons attached (except in the case of Zero Coupon Notes) (the "Coupons") will be issued in exchange for beneficial interests in Permanent Global Notes or Registered Global Notes if (i) either Euroclear or Clearstream has been closed for a continuous 30 day period or has announced an intention to permanently cease business, or (ii) an Event of Default as described below occurs and continues, and *provided also* the Trustee has received from Euroclear or Clearstream, as the case may be, a certificate substantially in the form of Exhibit F of the Indenture. Definitive Notes will be issued in minimum amounts of Eur 50,000 (or the equivalent thereof in the currency in which such Note is denominated) and higher integral multiples of Eur 1,000, or in such denominations as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.

4. Status of the Notes

The Notes will constitute direct, unsecured and unconditional obligations of the Issuer and will rank at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated Indebtedness of the Issuer, save only for such obligations of the Issuer as may be preferred by mandatory provisions of applicable law.

5. Interest

(a) ***Interest on Fixed Rate Notes***

(i) Each Fixed Rate Note bears interest from and including the Issue Date or the Interest Commencement Date, if different from the Issue Date, at the Fixed-Interest Rate(s) per annum specified in the applicable Final Terms, payable in arrears on the Fixed-Interest Payment Date(s) in each year and on the Maturity Date so specified if such Maturity Date does not fall on a Fixed-Interest Payment Date. The first payment of interest will be made on the Fixed-Interest Payment Date next following the Issue Date or the Interest Commencement Date, as the case may be, and, if the Issue Date or the Interest Commencement Date, as the case may be, is not a Fixed-Interest Payment Date, and the first payment of interest will amount to the Initial Interest Amount specified in the applicable Final Terms. If the Maturity Date is not a Fixed-Interest Payment Date, interest from and including the preceding Fixed-Interest Payment Date (or the Interest Commencement Date, as the case may be) to but excluding the Maturity Date will amount to the Final Interest Amount specified in the applicable Final Terms.

(ii) If interest is required to be computed for a period of other than a full year, such interest shall be computed on the basis of a 360-day year consisting of 12 months of 30 days each (or such other basis as may be specified in the applicable Final Terms) and, in the case of an incomplete month, the number of days elapsed but not more than 30 days in a month.

(iii) Interest will be paid subject to and in accordance with the provisions of this Condition 5 and Condition 8. Interest will cease to accrue on each Fixed Rate Note (or, in the case of the redemption of only part of a Note, that part of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (to the extent permitted by law as well after as before any judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Fixed Rate Note up to that day are received by or on behalf of the holder of such Fixed Rate Note, and (b) the day on which the relevant Paying Agent has notified the holder thereof (either in accordance with the provisions of Condition 15 or individually) of receipt of all sums due in respect thereof up to that date.

(b) ***Zero Coupon Notes***

Where a Zero Coupon Note becomes due and payable prior to the Maturity Date, the amount due and payable shall be the Amortized Face Amount of such Note as determined in accordance with the provisions of Condition 7(e)(iii). Any outstanding principal amount of such Note not paid when due shall bear interest from the Maturity Date at a rate per annum equal to the Accrual Yield set forth in the relevant Final Terms. Such interest shall continue to accrue (to the extent permitted by applicable law as well after as before judgment) until the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note, and (ii) the day on which the relevant Paying Agent has notified the holder thereof (either in accordance with the provisions of Condition 15 or individually) of receipt of all sums due in respect thereof up to that date.

(c) ***Accrual of Interest***

Interest will be paid subject to and in accordance with the provisions of this Condition 5 and Condition 8. Interest will cease to accrue on each Note (or, in the case of the redemption of only part of a Note, that part of such Note) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (to the extent permitted by law after as well as before any judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note, and (b) the day on which the relevant Paying Agent has notified the holder thereof (either in accordance with the provisions of Condition 15 or individually) of receipt of all sums due in respect thereof up to that date.

6. Currency of Notes

(a) *General*

Notes may be denominated in any currency, including, without limitation, U.S. dollars, Canadian dollars, Euros, English pounds, Japanese yen, Swiss francs or such other currency or currencies as may be agreed among the Issuer and the relevant Dealer or Dealers of a issue (the "Specified Currency"), all as specified in the applicable Final Terms, subject to compliance with all applicable legal or regulatory requirements.

(b) *Payment in Other Specified Currencies*

Payments in respect of Notes denominated in a Specified Currency other than U.S. dollars will be made in accordance with Condition 8 except as otherwise expressly provided herein, therein and in the applicable Final Terms.

7. Redemption and Purchase

The Notes shall not be subject to redemption by the Issuer or Noteholders except as specified in the applicable Final Terms and as provided in this Condition 7.

(a) *At Maturity*

Unless otherwise specified in the applicable Final Terms and unless previously redeemed, or purchased and canceled, each Note will be redeemed at its final redemption amount specified in the applicable Final Terms in the relevant Specified Currency (subject to the provisions of Condition 6) on the Maturity Date.

(b) *Redemption at the Election of the Holders or the Issuer*

(i) Notes of any Series may, to the extent and in the manner provided in the applicable Final Terms, be redeemable by the Issuer or the holders thereof in whole or in part, at an amount equal to a percentage (to be specified in the relevant Final Terms) of the principal amount of the relevant Note plus accrued interest plus any Additional Amounts payable pursuant to Condition 9.

(ii) In the event that the Issuer or a Noteholder elects to redeem a Note pursuant to paragraph (i) above, the Issuer may, in lieu of redeeming the relevant Note, with notice to the Trustee, identify a third party acceptable to the Noteholder who will agree to purchase the Note on the redemption date under the same terms and conditions as if the Notes were purchased by the Issuer.

(c) *Redemption for Taxation Purposes*

Each Series of Notes will also be subject to redemption, at the option of the Issuer, in whole, but not in part, at 100% of the principal amount thereof, plus accrued interest and any Additional Amounts payable with respect thereto, if (i) the Issuer has or would become obligated to pay Additional Amounts payable with respect to such Notes in excess of the Additional Amounts that the Issuer would be obliged to pay if interest payments in respect of such Notes were subject to deduction or withholding at a rate of 15% (determined without regard to any interest, fees, penalties or other additions to tax), as a result of any change in, or amendment to, the laws or regulations of Brazil, or any change in the application, administration or official interpretation of such laws or regulations (including administrative rulings or the holdings of a court of competent jurisdiction), which change or amendment occurs after the Issue Date of such Series and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it. Prior to the publication or mailing of any notice of redemption of such Series of Notes as described above, the Issuer shall deliver to the Trustee (x) a certificate of an authorized officer of the Issuer to the effect that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the condition, or conditions precedent to the right of the Issuer so to redeem have occurred or been satisfied and (ii) an opinion of an independent legal counsel of recognized standing stating that the Issuer is or would be obligated to pay Additional Amounts due to changes in tax laws or regulations or application, administration or official interpretation thereof. The Trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (i) and (ii) above, in which event it will be conclusive and binding on the holders.

(d) ***Notices to Redeem***

Notices to redeem Notes shall be irrevocable and shall be sent in accordance with the provisions of Condition 15 and shall specify the date fixed for redemption, the applicable redemption price, the place or places of payment, that payment will be made upon presentation and surrender of the Notes to be redeemed, together, in the case of a Definitive Note, with appurtenant Coupons, if any, maturing subsequent to the date fixed for redemption and that on and after said date interest thereon will cease to accrue. Such notice shall also state whether the Issuer has elected to redeem all the Notes subject to the conditions of Condition 7(b).

(e) ***Early Redemption Amounts***

Unless otherwise specified in the applicable Final Terms, Notes will be redeemed at an amount (the "Early Redemption Amount") computed as follows:

(i) in the case of Notes issued at an Issue Price of 100 percent of their principal amount, at their principal amount in the relevant Specified Currency, together with, in the case of Fixed Rate Notes, interest accrued to the date fixed for redemption plus Additional Amounts;

(ii) in the case of Notes (other than Zero Coupon Notes) issued with an Issue Price greater or less than 100 percent of their principal amount, at the amount set forth in the applicable Final Terms; or

(iii) In the case of Zero Coupon Notes, at an amount (the "Amortized Face Amount") equal to:

(A) the sum of (x) the Reference Price specified in the applicable Final Terms and (y) the product of the Accrual Yield specified in the applicable Final Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable as provided in the Final Terms; or

(B) if the amount payable in respect of any Zero Coupon Note upon redemption of such Note, or upon its becoming due and repayable as provided in the Final Terms is not paid when due, the amount due and repayable in respect of such Note shall be the Amortized Face Amount of such Note computed as provided above, except that sub-paragraph (a) shall have effect as though the references in subparagraph (a) to the date fixed for redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date (the "Reference Date") that is the earlier of:

(1) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the holder of such Note; and

(2) the date on which the full amount of the moneys repayable has been received by the relevant Paying Agent and notice to that effect has been given (either in accordance with provisions of Condition 15 or individually).

The computation of the Amortized Face Amount in accordance with sub-paragraph (b) will continue to be made, to the extent permitted by applicable law after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the principal amount of such Note together with interest at a rate per annum equal to the Accrual Yield and computed in accordance with the provisions of Condition 5(b).

(f) ***Purchase of Notes by the Issuer; Cancellation***

The Issuer and its subsidiaries may, to the extent permitted by applicable law, at any time purchase Notes in the open market. Any Note so purchased by the Issuer and its subsidiaries may, at the option of the Issuer or its subsidiaries, be surrendered to the Trustee for cancellation.

8. Payments and Paying Agent

Payments of principal and interest in respect of a Global Note shall be made by the relevant Paying Agent to a common depositary for Euroclear and Clearstream, but in the case of a Temporary Global Note only upon receipt by the relevant Paying Agent of written certification as to the non-U.S. beneficial ownership thereof as set forth in the Indenture. Each of Euroclear and Clearstream will undertake to credit all amounts received by it with respect to such principal or interest to the respective accounts of the beneficial owners of interests therein on the date on which such amounts are paid to it. Any such amounts so received by Euroclear or Clearstream and not so paid by them shall be returned to the relevant Paying Agent immediately prior to the expiration of two years after their receipt thereof.

Payments of principal and interest, if any, payable at maturity or upon redemption in respect of Definitive Notes will be made in Specified Currency (subject to Condition 6) by check drawn on, or by transfer to an account maintained by the holder with a bank in the principal financial center of the country issuing the relevant currency against presentation and surrender of such Notes at the specified office of any of the Paying Agents outside the United States. Payments of interest in respect of Definitive Notes (other than interest payable at maturity or upon redemption) will be made against surrender of the relevant Coupons at the specified office of any of the Paying Agents outside the United States. Payments of interest in respect of each Definitive Note will be made against presentation of Coupons by check drawn on a bank the principal financial center of the country issuing the relevant currency. As used in this paragraph and in the following paragraph, the term "United States" means the United States of America, including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction.

Definitive Notes shall be presented for payment upon repayment prior to maturity together with all unmatured Coupons appertaining thereto, failing which, in the case of Fixed Rate Notes, the amount of any missing unmatured Coupon will be deducted from the sum due for payment, or, in the case of other Notes, the surrender of any such missing unmatured Coupon or Coupons may be waived by the Issuer and the Paying Agent if they are furnished with such security or indemnity as they may require to save each of them and each other Paying Agent of the Issuer harmless. If a deduction is made from the redemption price in the case of any such missing unmatured Coupon and thereafter, but prior to five years after the redemption date, the bearer of such Coupon shall surrender such Coupon at a place specified for redemption, subject to the last paragraph of this Condition 8, such bearer shall be entitled to receive the amount so deducted. Except as provided in the preceding sentence, any unmatured Coupons, whether attached to or missing from any Notes surrendered for redemption, will become void at the redemption date for such Notes.

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to Condition 9. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

If the due date for payment of any amount in respect of any Note is not a Business Day at any place of presentation, then the holder will not be entitled to payment at such place of the amount due until the next following Business Day at such place and will not be entitled to any further interest or other payment in respect of any such delay.

The initial Paying Agents and their respective initial specified offices are set forth in the Indenture. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that while Notes are Outstanding it will at all times maintain (i) a Trustee, (ii) a Principal Paying Agent with a specified office in a Japanese city, (ii) a London Paying Agent with a specified office in the City of London (which may be the Trustee) and (iii) if Notes are listed on any stock exchange and the rules of such exchange so require, a Paying Agent with a specified office in the place where such stock exchange so requires. The Issuer will notify the Noteholders of the termination of any Paying Agent, and the appointment of any additional Paying Agent, in accordance with the provisions of Condition 15.

In acting under the Indenture and in connection with the Notes, each of the Paying Agents is acting solely as agent of the Issuer and does not assume any obligation toward or relationship of agency or trust for or with the owner or holder of any Note, except that any funds held by any such agent for payment of principal of or interest (or any Additional Amounts) on the Notes shall be held in trust by it and applied as set forth herein, but need not be segregated from other funds held by it, except as required by law. For a description of the duties and the immunities and rights of each of the Paying Agents under the Indenture, reference is made to the Indenture, and the obligations of each of the Paying Agents to the owners or holders of Notes are subject to such immunities and rights.

Each payment in full (but on in part) of principal, redemption amounts, Additional Amounts and/or interest payable in respect of any Note made by or on behalf of the Issuer to or to the order of the Principal Paying Agent in the manner specified herein and therein on the date due shall be valid and effective to satisfy and discharge the obligation of the Issuer to make such payment of principal, redemption amounts, Additional Amounts or interest, respectively, on such date, *provided, however,* that (i) the liability of the Principal Paying Agent to make payments to the Noteholders shall not exceed any amounts paid by the Issuer to the Principal Paying Agent on behalf of the Noteholders; (ii) in the event that there is a default by the Principal Paying Agent in any payment of principal, redemption amounts, Additional Amounts and/or interest in respect of any Note, any Noteholder may demand that the Issuer pay to such Noteholder such further amounts as will result in receipt by such Noteholder of such amount as would have been received by it had no such default occurred and (iii) nothing herein shall be deemed to relieve the Principal Paying Agent of any liability to the Issuer in the event the Issuer is required to pay any such further amounts. The Principal Paying Agent shall (i) hold each amount so paid to it on behalf of each relevant holder of a Note, and (ii) apply each amount paid to it hereunder in accordance with this Condition 8.

All moneys paid by or on behalf of the Issuer to the relevant Paying Agent for the payment of the principal of or interest on any Note that remain unclaimed at the end of two (2) years after such principal or interest shall have become due and payable will be repaid to the Issuer and the holder of such Note will thereafter look only to the Issuer for payment. Upon such repayment, all liability of the Paying Agent with respect thereto shall cease, without, however, limiting in any way the obligation of the Issuer in respect of the amount so repaid.

9. Taxation/Additional Amounts

All payments by the Issuer in respect of any Notes or Coupons will be made free and clear of any present or future withholding for or an account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Brazil or by or within any political subdivision thereof or any authority therein having power to tax ("Taxes"). The Issuer will pay such additional amounts ("Additional Amounts") in respect of Taxes as will result in the payment to holders of the Notes and Coupons of the amounts that would otherwise have been receivable by them in respect of payments on such Notes and Coupons in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable:

(a) to or on behalf of a holder or beneficial owner of a Note or Coupon that is liable for Taxes in respect of such Note or Coupon by reason of its having some present or former connection with a jurisdiction (or any political subdivision or taxing authority thereof or therein) otherwise than by the mere holding or owning of such Note or Coupon or the receipt of any income or payments with respect thereto, or

(b) to or on behalf of a holder of a Note or Coupon in respect of Taxes that would not have been imposed but for the failure of such holder to present a Note or Coupon for payment (where presentation is required) more than 90 days after the relevant payment is first made available for payment to the holder.

Additionally, the obligation of the Issuer to pay Additional Amounts shall not apply with respect to (i) any estate, inheritance, gift, sales, transfer or personal property tax or any similar taxes, duties, assessments or other charges or (ii) any taxes, duties, assessments or other governmental charges that are payable otherwise than by deduction or withholding from payments on the Notes or Coupons.

The Issuer will provide the Trustee with documentation evidencing the payment of Taxes. Copies of such documentation will be made available to any holder of a Note or Coupon or any Paying Agent, as applicable, upon request therefor.

References to payments in respect of Notes and Coupons shall be deemed to include any Additional Amounts payable pursuant to the Notes and Coupons.

10. Covenants

The Issuer shall be required to comply with the covenants set forth in the Indenture. See "Covenants" below.

11. Events of Default

(a) An "Event of Default" occurs if:

(i) default in any payment of the principal of any Note as and when the same shall become due and payable (whether at maturity, upon redemption, or otherwise);

(ii) default in the payment of any installment of interest or any required payment of Additional Amounts pursuant to Condition 9 hereof on any of the Notes as and when the same shall become due and payable and continuance of such default for a period of five Business Days;

(iii) the Issuer defaults in the performance of or breaches any other covenant or agreement of the Issuer either in the Indenture, the Notes, the Conditions or the Final Terms and such default or breach continues for a period of 30 consecutive days after the date on which written notice of such failure requiring the Issuer to remedy the same shall have been given to the Issuer by any Noteholder;

(iv) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, suspension of payments, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, fiscal agent or sequestrator (or similar official) of the Issuer or for any substantial part of the property of the Issuer or ordering the winding up or liquidation of the affairs of the Issuer, and such decree or order shall remain unstated and in effect for a period of 60 consecutive days;

(v) the Issuer shall commence a voluntary case under any applicable bankruptcy, suspension of payments, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, fiscal agent or sequestrator (or similar official) of the Issuer or for any substantial part of the property of the Issuer, or make any general assignment for the benefit of creditors;

(vi) the Issuer defaults under any instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness of the Issuer, whether such indebtedness now exists or shall be created hereafter, resulting in the acceleration of such indebtedness, or any default occurs in the payment of such indebtedness (and after the expiration of any applicable grace periods and as long as such default is not being contested in good faith by the Issuer), if the total of all such indebtedness which has been so accelerated or with respect to which there has been such a default in payment shall exceed U.S.$1,000,000 (or the equivalent thereof in another currency);

(vii) a final judgment or final judgments for the payment of money shall have been entered by a court or courts of competent jurisdiction against the Issuer and remains undischarged for a period (during which execution shall not be effectively stayed) of 60 days, provided that the aggregate amount of all such judgments at any time outstanding (to the extent not paid or to be paid by insurance) exceeds U.S.$1,000,000 (or the equivalent thereof in another currency);

(viii) there shall have occurred a Change of Control;

(ix) there shall have occurred any seizure, compulsory acquisition, expropriation or nationalization of assets of the Issuer or any of its subsidiaries resulting in a material adverse effect (A) on the condition (financial or other), business, properties, operations, results of operations or prospects of the Issuer or (B) on the ability of the Issuer to duly and punctually perform its obligations under the Indenture and the Notes, as applicable;

(x) the Indenture or any Note shall fail to be in full force and effect (except as contemplated by the terms thereof), or the Issuer shall deny or repudiate any of its respective obligations under the Indenture or any Note, or does or causes to be done any act or thing evidencing an intention to deny or repudiate such obligations, and such default shall continue for 10 consecutive days;

(xi) any execution or distress is levied against, or an encumbrancer takes possession of, the whole or any part of, the property, undertaking or assets of the Issuer or any of its subsidiaries resulting in a material adverse effect (A) on the condition (financial or other), business, properties, operations, results of operations or prospects of the Issuer or (B) on the ability of the Issuer to duly and punctually perform its obligations under the Indenture and the Notes, as applicable;

(xii) any event occurs which under the laws of any jurisdiction has a similar or analogous effect to any of these events mentioned in paragraphs (iv) or (v) above;

(xiii) at any time any act, condition or thing required to be done, fulfilled or performed in order (i) to enable the Issuer lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it under and in respect of the Notes and the Indenture, as applicable, (ii) to ensure that those obligations are legal, valid, binding and enforceable or (iii) to make the Notes and the Indenture admissible in evidence in Brazil is not done, fulfilled or performed; or

(xiv) at any time it is or becomes unlawful for the Issuer to perform or comply with any or all of its respective obligations under or in respect of the Notes or the Indenture, as applicable, or any of the obligations of the Issuer thereunder are not or cease to be legal, valid and binding.

For purposes of this section:

"*Change of Control*" means the failure of Mr. Joel Malucelli or the heirs thereof to, directly or indirectly, beneficially own at least a majority of the total capital stock of the Issuer or to have, directly or indirectly, the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the directors (or the equivalent thereof) of the Issuer.

(b) If an Event of Default described in clauses (i), (ii), (iii), (vi), (vii), (viii), (ix), (x) (xi), (xiii) or (xiv) shall occur and be continuing, any holder of any Note of any Series may declare the principal of such of Note and the interest accrued thereon to be due and payable immediately by written notice to the Issuer and the Trustee, and unless such default shall have been cured by the Issuer prior to receipt of such written notice, the principal of such of Note and the interest thereon shall become and be immediately due and payable. If an Event of Default described in clauses (i), (ii), (iii), (vi), (vii), (viii), (ix), (x) (xi), (xiii) or (xiv) shall occur and be continuing, holders of not less than 25% of the aggregate principal amount of the Notes of any Series Outstanding acting in concert for that purpose may declare the principal of all of the Notes of such Series Outstanding and the interest accrued thereon to be due and payable immediately by written notice to the Issuer and the Trustee, and unless all such defaults shall have been cured by the Issuer prior to receipt of such written notice, the principal of all the Notes of such Series Outstanding and the interest accrued thereon shall become and be immediately due and payable. If an Event of Default described in clause (iv), (v) or (xii) occurs and is continuing, then and in each and every such case, unless the principal of all the Notes Outstanding shall have already become due and payable, the entire principal of all the Notes then Outstanding and interest accrued (and any Additional Amounts) thereon shall be due and payable immediately.

12. Replacement of Notes

If any Note or Coupon shall become mutilated or defaced or be destroyed, lost or stolen, the Trustee shall authenticate and deliver a new Note (with appropriate Coupons attached, if any), on such terms as the Issuer and the Trustee may require, in exchange and substitution for the mutilated or defaced Note or the Note to which the mutilated or defaced Coupon was attached or in lieu of and in substitution for the destroyed, lost or stolen Note or the Note to which the destroyed, lost or stolen Coupon was attached. In every case of mutilation, defacement, destruction, loss or theft, the applicant for a substitute Note shall furnish to the Issuer and the Trustee, such indemnity as the Issuer and the Trustee may require and evidence to their satisfaction of the destruction, loss or theft of such Note or Coupon and of the ownership thereof. In every case of mutilation or defacement of a Note or Coupon, the holder shall surrender to the Trustee the Note or Coupon so mutilated or defaced. In addition, prior to the issuance of any substitute Note, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the reasonable fees and expenses of the Trustee and its counsel and counsel to the Issuer connected therewith). If any Note that has matured or will mature within 30 days or any Coupon that has become due and payable or will become payable within 30 days shall become mutilated or defaced or be apparently destroyed, lost or stolen, the Issuer may pay or authorize payment of the same without issuing a substitute Note or Coupon, as applicable.

13. Governing Law

THIS NOTE AND ANY COUPON APPERTAINING HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK.

14. Descriptive Headings

The descriptive headings appearing in these Conditions are for convenience of reference only and shall not alter, limit or define the provisions hereof.

15. Notices

So long as the Notes are held on behalf of Euroclear and Clearstream, any notice required to be given under the Notes by or on behalf of the Issuer will be given by the delivery of the relevant notice to Euroclear and Clearstream for communication by them to the holders of Notes. In addition, if this Note shall be listed on the Luxembourg Stock Exchange or another stock exchange, notice will be given on the website of the Luxembourg Stock Exchange at www.bourse.lu or such other exchange or in such other manner as required by the Luxembourg Stock Exchange or such other stock exchange, as applicable.

Any notices in respect of Definitive Notes will be published in one leading English language daily newspaper with circulation in London (which is expected to be the *Financial Times*). In addition, if this Note shall be listed on the Luxembourg Stock Exchange or another stock exchange, notices in respect of Definitive Notes will be published in one leading newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, alternatively, on the website of the Luxembourg Stock Exchange at *www.bourse.lu* or in such other newspaper as required by such other stock exchange, as applicable. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which such publication is made. If publication is not practicable in any such newspaper, notice will be validly given if made in an English language newspaper having general circulation in Europe.

Notice to be given by any Noteholder shall be in writing and given by forwarding the same, together with the related Note or Notes, to the Trustee or any Paying Agent. While any Notes are represented by a global Note, such notice may be given by any holder of an interest in such global Note to the Trustee or any such Paying Agent via Euroclear or Clearstream, as the case may be, in such manner as the Trustee or Paying Agent, as the case may be, Euroclear or Clearstream, as the case may be, may approve for this purpose.

16. Prescription

Claims against the Issuer for the payment of principal or interest and Additional Amounts in respect of the Notes will be prescribed unless made within ten years (in the case of principal) and five years (in the case of interest and Additional Amounts) of the due date for payment of such principal or interest and Additional Amounts.

17. Consent to Service; Jurisdiction

The Issuer has submitted to the jurisdiction of any federal or state court in The City of New York for purposes of any legal suit, action or proceeding arising out of or related to the Indenture or the Notes. The Issuer has appointed CT Corporation System as its authorized agent upon whom process may be served in any such suit, action or proceeding. The Issuer has also further submitted to the jurisdiction of the courts of its corporate domicile in any legal suit, action or proceeding arising out of or relating to the Indenture or the Notes.

18. Further Issues

The 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 Series with, and increase the aggregate principal amount of, such Series of Notes.

19. Judgment Currency

If a judgment or order given or made by any court for the payment of any amount in respect of any Note is expressed in a currency (the "Judgment Currency") other than the currency (the "denomination currency") in which such Note is denominated or in which such amount is payable, the Issuer will indemnify the relevant holder against any deficiency arising or resulting from any variation in rates of exchange between the date as of which the amount in the denomination currency is notionally converted into the amount in the Judgment Currency for the purpose of such judgment or order and the date of actual payment thereof. This indemnity will constitute a separate and independent obligation from the other obligations contained in the terms and conditions of the Notes, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due in respect of the relevant Note or under any such judgment or order.

COVENANTS

Articles IV and V of the Indenture governing the Notes contain the following covenants applicable to the Issuer and its consolidated subsidiaries:

Section 4.01. Payment of Notes.

The Issuer shall deposit with the Principal Paying Agent in immediately available funds a sum sufficient to pay such payment of principal of and interest (including Additional Amounts) by 10:00 a.m. in the relevant principal financial center of the country issuing the relevant currency, (A) on the Business Day immediately preceding each Fixed Interest Payment Date or Maturity Date of the Notes or any date fixed for redemption of the Notes or before each date on which a payment of any Additional Amounts on the Notes shall become due pursuant to the Conditions (each a "Payment Date") (in case of payments to be made in U.S. dollars, Sterling, Euro or any other Specified Currency designated in a mutual written agreement, among the Issuer and the Principal Paying Agent 10 Business Days prior to such Payment Date), or (B) two Business Days immediately preceding each Payment Date (in case of payments to be made in a Specified Currency other than those referred to in clause (A) above), an amount in immediately available funds in the currency in which such Notes are denominated, which (together with any amounts then held by the Principal Paying Agent and available for that purpose) shall be sufficient to pay the entire amount of principal of or interest (including any Additional Amounts) on or redemption amount becoming due on such Payment Date with respect to the Notes to such account with such bank as the Principal Paying Agent may, by notice to the Issuer, have specified for that purpose.

Subject to Section 4.19, the Issuer may, to the extent it is required to do so by law, deduct or withhold income or other similar taxes imposed by Brazil from principal or interest payments hereunder.

Section 4.02. Listing of the Notes with the Luxembourg Stock Exchange and Maintenance of Listing.

The Issuer will use commercially reasonable efforts for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be eligible to be traded on the Euro MTF market and to comply with the listing requirements applicable thereto. The Issuer will at all times use commercially reasonable efforts to maintain the listing of the Notes on the Luxembourg Stock Exchange or, if the Issuer is unable to do so having used all commercially reasonable efforts or if the maintenance of such listing is unduly burdensome or impractical, use commercially reasonable efforts to obtain and maintain a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets as the Issuer decides and will give notice of the identity of such other stock exchange or exchanges or securities market or markets to the Trustee, who shall give notice of the identity of such other stock exchange or exchanges or securities market or markets to the Holders.

Section 4.03. Maintenance of Corporate Existence.

The Issuer will, and will cause each of its subsidiaries to, maintain in effect its respective corporate existence (except for any discontinuance of corporate existence arising out of the merger of any subsidiary of the Issuer into the Issuer or any other entity controlled by the Issuer) (subject to the Issuer's ability to consummate certain transactions as described below under Article 5) and all registrations necessary therefor and take all actions to maintain all rights, privileges, titles to property, franchises and the like necessary for or required in connection with the normal conduct of the Issuer's consolidated business, activities or operations. Notwithstanding the foregoing, the Issuer's obligation to maintain the corporate existence of a subsidiary pursuant this Section 4.03 will immediately cease when such entity is no longer a subsidiary of the Issuer.

Section 4.04. Compliance with Laws.

The Issuer will use its best efforts, and will cause its subsidiaries to use their respective best efforts, to comply at all times with all applicable laws, rules, regulations, orders and directives of any government authority having jurisdiction over it, its business or any of the transactions contemplated herein.

Section 4.05. Maintenance of Government Approvals.

The Issuer will use its best efforts, and will cause its subsidiaries to use their respective best efforts, to obtain and maintain in full force and effect all governmental approvals, consents or licenses of any government authority or any third party under the laws of Brazil or any other jurisdiction having jurisdiction over the Issuer or its subsidiaries, in all cases which are necessary for the Issuer to perform its obligations under the Notes or this Indenture entered into in connection with the issuance of the Notes (including, without limitation, any authorization required to obtain and transfer U.S. dollars or any other currency out of Brazil in connection with the Notes and this Indenture) or for the validity or enforceability thereof.

Section 4.06. Payments of Taxes and Other Claims.

The Issuer will use its best efforts, and will cause its subsidiaries to use their respective best efforts, to pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Issuer or any subsidiary, as the case may be, and (ii) all lawful claims for labor which, if unpaid, would by law become a lien upon the property of the Issuer or any such subsidiary, as the case may be; provided, however, that neither the Issuer nor any of its subsidiaries will be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim for which appropriate reserves as required by relevant and generally accepted accounting standards have been made and whose amount, applicability or validity is being contested in good faith and, if appropriate, by appropriate legal proceedings.

Section 4.07. Maintenance of Books and Records.

The Issuer shall, and shall cause each of its subsidiaries to, maintain books, accounts and records in all material respects as required by applicable law.

Section 4.08. Maintenance of Process Agent.

The Issuer shall maintain an agent for service of process in the Borough of Manhattan, The City of New York, where notices to and demands upon the Issuer in respect of this Indenture and the Notes may be served. Initially this agent will be CT Corporation System, and the Issuer will agree not to change the designation of such agent without prior notice to the Trustee and designation of a replacement agent in the Borough of Manhattan, The City of New York.

Section 4.09. Notice of Breach.

The Issuer will give notice to the Trustee as soon as is practicable, and in any event within ten (10) Business Days, after any of its Authorized Officers becomes aware of the occurrence of any breach of the terms of this Indenture accompanied by an Authorized Officers' Certificate setting forth the details of such breach and stating what action the Issuer proposes to take with respect thereto.

Section 4.10. Certificate of Compliance.

The Issuer will provide the Trustee, at the time the Issuer provides the Trustee with its annual financial statements, and in any event not later than ninety (90) days after the end of the Issuer's fiscal year (or at any other time as reasonably requested by the Trustee), an Authorized Officers' Certificate in English certifying that up to a specified date no earlier than seven (7) days prior to the date of such certificate, the Issuer has complied with its obligations under the Notes and this Indenture (or, if such is not the case, giving the details of the circumstances of such non-compliance) and that as of such date there did not exist any Default under the Notes or this Indenture. Such compliance shall be determined without regard to notice requirements or grace periods.

For purposes of this section:

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

Section 4.11. Negative Pledge.

The Issuer will not and will not permit any of its subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness or trade payables upon any of their property or assets, now owned or hereafter acquired, unless all payments due under this Indenture and the Notes are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien.

For purposes of this section:

"*Lien*" means any mortgage, pledge, lien, hypothecation, deed of trust, security interest or other charge or encumbrance on any property or asset, including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof, any agreement to give any security interest and any equivalent created or arising under applicable law.

"*Permitted Liens*" means:

(1) Liens in favor of the Issuer;

(2) Liens on property of a person existing at the time such person is merged with or into or consolidated with the Issuer or any subsidiary of the Issuer; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the person merged into or consolidated with the Issuer or the subsidiary;

(3) Liens on property (including capital stock) existing at the time of acquisition of the property by the Issuer or any subsidiary of the Issuer; provided that such Liens were in existence prior to such acquisition, and not incurred in contemplation of such acquisition;

(4) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(5) Liens existing on the date of this Indenture;

(6) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided that any reserve or other appropriate provision as is required in conformity with Brazilian GAAP has been made therefor;

(7) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(8) Survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such person; and

(9) Liens arising under the terms of repurchase agreements and other derivatives transactions entered into in the ordinary course of business.

Section 4.12. No Layering of Debt.

The Issuer will not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinate or junior in right of payment to any Senior Obligations of the Issuer and senior in right of payment to the Notes. No such Indebtedness will be considered to be senior by virtue of being secured on a first or junior priority basis.

For purposes of this section:

"Senior Obligations" means:

(1) any liability for taxes owed or owing by the Issuer;

(2) all claims of the Issuer's unsubordinated creditors;

(3) all claims of the Issuer's subordinated creditors whose claims are, or are expressed to be, subordinated only to the claims of the Issuer's unsubordinated creditors (whether only in the event of the Issuer's bankruptcy or otherwise);

(4) employee liabilities, including payroll expenses and employee pensions;

(5) bank deposits and other types of saving instruments; and

(6) all claims of all of the Issuer's other creditors, except those whose claims are, or are expressed to rank, pari passu with, or junior to, the claims of holders of the Notes.

Section 4.13. Dividend and Other Payment Restrictions Affecting Subsidiaries.

The Issuer will not, and will not permit any of its subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any subsidiary to:

(1) pay dividends or make any other distributions on its capital stock to the Issuer or any of its subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any of its subsidiaries;

(2) make loans or advances to the Issuer or any of its subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any of its subsidiaries.

Notwithstanding the foregoing, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing existing Indebtedness as in effect on the date of this Indenture and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; provided that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the date of this Indenture;

(2) this Indenture and the Notes;

(3) any applicable law, rule, regulation or order, including, but not limited to, Brazilian banking regulations;

(4) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(5) any agreement for the sale or other disposition of a subsidiary that restricts distributions by that subsidiary pending the sale or other disposition; and

(6) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

Section 4.14. Limitation on Transactions with Affiliates.

The Issuer will not, and will not permit any of its subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each, an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such subsidiary with an unrelated person; and

(2) for any Affiliate Transaction that is a loan, advance or guarantee, the Issuer complies with the applicable regulations of the Central Bank of Brazil.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Issuer or any of its subsidiaries in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among the Issuer and/or its subsidiaries;

(3) transactions with a person that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a subsidiary, an equity interest in, or controls, such person;

(4) payment of reasonable directors' fees to persons who are not otherwise Affiliates of the Issuer;

(5) any issuance of equity interests of the Issuer to Affiliates of the Issuer; and

(6) loans or advances to employees in the ordinary course of business.

Section 4.15. Provision of Financial Statements and Reports.

The Issuer will provide or cause to be provided to the Trustee any financial statements which the Issuer may file with the *Comissão de Valores Mobiliários* or the Central Bank of Brazil, with any other securities or regulatory authority in Brazil or otherwise make available to the public (except in the case of financial data made available to applicable bank regulatory authorities in Brazil that is subsequently released by such authorities as contemplated under the "Available Information" section of the Offering Circular) in such language or form as such financial statements are prepared. In addition to the foregoing (and without duplication), the Issuer will cause to be provided to the Trustee in English (i) as soon as available and in any case within forty-five (45) calendar days after the end of each fiscal quarter (other than the fourth quarter), its unaudited consolidated balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flows calculated in accordance with Brazilian GAAP or in accordance with such other accounting standards as may from time to time be required for Brazilian banks and (ii) as soon as available and in any case within ninety (90) calendar days after the end of each fiscal year, its audited and consolidated balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flows calculated in accordance with Brazilian GAAP or such other accounting standards as may from time to time be required for Brazilian banks and accompanied by a report thereon by an independent public accountant of recognized international standing, together in all cases under (i) and (ii) with a description, if applicable, of the principal differences between U.S. GAAP and the applicable accounting standards under which such financial statements have been prepared.

Section 4.16. Capital Adequacy Requirements.

The Issuer will comply with the regulatory capital requirements or other minimum capital adequacy requirements set forth in any applicable law, regulation or guideline in Brazil, including any regulation or guideline issued by the Central Bank of Brazil, and any other jurisdiction under which the Issuer maintains a subsidiary.

Section 4.17. Business Activities.

The Issuer will not, and will not permit any of its subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Issuer and its subsidiaries taken as a whole.

For purposes of this section:

"*Permitted Business*" means a business in which the Issuer and its subsidiaries were engaged on the date of this Indenture, as described in this Offering Circular, and any other business reasonably incidental thereto.

Section 4.18. Further Actions.

The Issuer will, at its own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, as may be necessary or as the Trustee may reasonably request, in accordance with applicable laws and/or regulations, to be taken, fulfilled or done in order to (i) enable the Issuer to lawfully enter into, exercise its rights and perform and comply with its obligations under the Notes and this Indenture, as the case may be, (ii) ensure that its obligations under the Notes and this Indenture are legally binding and enforceable, (iii) make the Notes and this Indenture admissible in evidence in the courts of the State of New York or Brazil following Default and (iv) preserve the enforceability of, and maintain the Trustee's rights under, the Notes and this Indenture and (v) respond to any reasonable requests received from the Trustee to enable the Trustee to facilitate the Trustee's exercise of its rights and performance of its obligations under the Notes and this Indenture, including exercising and enforcing its rights under and carrying out the terms, provisions and purposes of the Notes and this Indenture.

Section 4.19. Payment of Additional Amounts.

The Issuer will pay all Additional Amounts in respect of the Notes in accordance with Condition 9.

Section 4.20. Pari Passu Obligations.

The Issuer shall ensure at all times that the Notes will constitute direct, unsecured and unconditional obligations of the Issuer and will rank at least *pari passu* in priority of payment with all other present and future unsecured and unsubordinated Indebtedness of the Issuer, save only for such obligations of the Issuer as may be preferred by mandatory provisions of applicable law.

Section 4.21. Rating.

The Issuer shall ensure that the required rating is maintained with respect to any Series of Notes as to which a rating is required by the Final Terms applicable thereto for as long as such Series of Notes is outstanding.

Section 5.01. Limitation on Consolidation, Merger and Similar Transactions.

The Issuer will not, in a single transaction or series of related transactions, consolidate or merge with or into any person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Issuer's assets (determined on a consolidated basis for the Issuer and its subsidiaries) whether as an entirety or substantially as an entirety to any person unless all of the following conditions are met:

(1) if the Issuer is not the successor company, the successor company expressly agrees to be legally responsible for the Notes and must be organized as a corporation, partnership, trust, limited liability company or similar entity, but may be organized under the laws of any jurisdiction;

(2) the merger, sale of assets or other transaction must not cause a Default on the Notes, and the Issuer must not already be in Default, unless the merger or other transaction would cure the Default; and

(3) an Authorized Officers' Certificate and Opinion of Counsel are delivered to the Trustee pursuant to Sections 10.04 and 10.05 of the Indenture.

For purposes of this Section 5.01(1), the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more subsidiaries of the Issuer, the capital stock of which constitutes all or substantially all of the properties and assets of the Issuer, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

Section 5.02. Successor Entity Substituted.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the assets of the Issuer in accordance with Section 5.01, in which the Issuer is not surviving or the continuing corporation, the successor person formed by such consolidation or into which the Issuer is merged or to which such conveyance, lease or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture and the Notes with the same effect as if such surviving entity had been named as such.

TAXATION

General

The following summary of certain Brazilian income tax considerations is based on the advice of Machado, Meyer, Sendacz e Opice Advogados of São Paulo, Brazil, with respect to Brazilian taxes. The summary contains a description of the principal Brazilian income tax consequences of the purchase, ownership and disposition of Notes, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Brazil.

This summary is based on the tax laws of Brazil as in effect on the date of this Offering Circular, as well as regulations, rulings and decisions of Brazil available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of the summary.

Prospective purchasers of the Notes should consult their own tax advisors as to Brazilian or other tax consequences of the purchase, ownership and disposition of the Notes, including, in particular, the application to their particular situation of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Brazilian Taxation

As a general rule, non-Brazilian residents are taxed in Brazil only when income is derived from Brazilian sources. The applicability of Brazilian taxes with respect to payments on the notes will depend on the origin of such payments and the domicile of the recipient of such payments.

Interest payments under the notes

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 holder of the notes 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 3 December 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.

Brazil and Japan are signatories to a treaty (the "Brazil-Japan Treaty") for the avoidance of double taxation. Under the Brazil-Japan Treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other type of income deemed similar to income from borrowed funds under Brazilian tax law will be subject to the withholding income tax in Brazil at a rate of 12.5%. For tax purposes, the Bank takes the position that as long as such payments are made by the Bank to the Paying Agent pursuant to the terms and conditions of the Notes and provided further that such Principal Paying Agent is a tax resident of Japan and is qualified for the treaty benefits under the Notes, interest payments will be subject to the 12.5% rate of withholding income tax. For this purpose, the Principal Paying Agent must be granted sufficient powers to receive payments on behalf of the Noteholders and release the Brazilian debtor from the payment obligations. If we are not able to rely on such treaty to make the payments, and in relation to payments not being made to the Principal Paying Agent, any such payments will be subject to withholding income tax at the rates indicated in the previous paragraph.

Law No. 11,727 also changed the scope of new transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a privileged tax regime. Pursuant to Law No. 11, 727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or tax it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or a said territory; (iii) does not tax or taxes proceeds generated abroad at a maximum rate lower than 20% or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Because several Brazilian regulations refer to the concepts defined in the Brazilian transfer pricing rules when referring to tax haven jurisdictions and despite the opinion of our Brazilian legal counsel that the changes discussed in this paragraph should apply exclusively for transfer pricing purposes, there is a risk that a privileged tax regime will be treated similarly to a tax heaven jurisdiction, and therefore the concept could be extended to the burdensome income tax rates.

Due to the recent enactment of the above referenced law, it is not possible to ascertain if such privileged tax regime concept will only be applied to determine the scope of transactions subject to transfer pricing rules or whether it will also serve to extend the concept of tax haven jurisdictions provided by other Brazilian regulations.

Gains

According to Section 26 of Law No. 10,833, enacted on 29 December 2003, capital gains realized on the disposition of assets located in Brazil by a non-resident to another non-resident made outside Brazil are subject to taxation in Brazil at a rate of 15% or 25%, depending whether the beneficiary is resident of a tax heaven jurisdiction under Brazilian law.

Based on the fact that the notes are issued abroad and, therefore, may not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or other disposition of such notes made outside Brazil by a non-resident holder, other than a branch or a subsidiary of a Brazilian resident, to another non-Brazilian resident would not be subject to Brazilian taxes. Although, considering the general scope of Law No. 10,833 and the absence of judicial guidance in respect thereof, it is impossible to predict whether such interpretation will ultimately prevail in the Brazilian courts. If the position mentioned above does not prevail, gains realized by a non-resident holder from the sale or other disposition of the notes to a Brazilian resident could be subject to Brazilian withholding income tax at a rate of 15% or 25%, if the non-resident holder is domiciled in a tax haven jurisdiction.

Other Tax considerations

IOF/*Câmbio* may apply in case payments are made from Brazil. Pursuant to Decree No. 6,306, of 14 December 2007, the conversion of foreign currency into *reais* and the conversion of *reais* into foreign currency are subject to the IOF/*Câmbio*. Currently, the IOF/*Câmbio* rate is 0.38% for nearly all 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.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the notes outside Brazil. Under Brazilian law, the transfer of a note by gift made by a holder (whether or not a non-resident holder) and involving a resident of Brazil may be subject to Gift Tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed on the donee by the state in which such Brazilian resident resides.

European Union Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008, the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SELLING RESTRICTIONS

The Arranger and the Dealers have in the Dealer Agreement agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. In the Dealer Agreement, the Issuer has agreed to reimburse the Arranger and each Dealer for certain of their expenses in connection with the establishment and any updating of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Dealers have agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes of any Series (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Series of which such Notes are a part, as notified to the Trustee by such Dealer (or, in the case of a sale of a Series of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Series purchased by or through it, in which case the Trustee shall notify each such Dealer when all such Dealers have so notified the Trustee), within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each Dealer to which it sells Notes during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Notwithstanding the foregoing, registered Notes may be issued to a limited number of investors, including U.S. Persons, in transactions not constituting a public offering in reliance on the exemption from registration under Regulation S or any other available exemption from registration. Such Notes will not be eligible for trading on any clearing system.

Each Series of Notes will also be subject to such additional United States selling restrictions as we and the relevant Dealer or Dealers may agree and as indicated in the applicable Final Terms. Each of the Dealers has agreed or will agree that it will offer, sell or deliver such Notes only in compliance with such additional selling restrictions.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Brazil

Each Dealer has further represented and agreed that it and each of its affiliates has not offered or sold, and will not offer or sell, any Notes in Brazil, except that it may offer Notes in Brazil in circumstances which do not constitute a public offering under Brazilian laws and regulations.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of its business, and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as 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 as agent) for the purposes of their business where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, or the FSMA, by the Issuer;

(ii) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, or each a Relative Member State, each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relative Member State, or the Relative Implementation Date, it has not made and will not make an offer of Notes to the public in that Relative Member State, except that it may, with effect from and including the Relative Implementation Date, make an offer of Notes to the public in that Relative Member State:

(i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to the Notes which has been approved by the competent authority of the Relative Member State or, where appropriate, approved in another Relative Member State and notified to the competent authority in that Relative Member State, all in accordance with the Prospectus Directive, and ending on the date which is 12 months after the date of such publication;

(ii) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(iii) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than Euro 43,000,000 and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or

(iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an "offer of the Notes to the public" in any Relative Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relative Member State.

Switzerland

This Offering Circular, as well as any other material relating to the Notes which are the subject of the offering contemplated by this Offering Circular, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The Notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the Notes, including, but not limited to, this Offering Circular, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The Notes are being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This Offering Circular, as well as any other material relating to the Notes, is personal and confidential and do not constitute an offer to any other person. This Offering Circular may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Hong Kong

Each of the Dealers has represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance(Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

The Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the Issuer may not offer nor sell the Notes pursuant to an offering nor make the Notes the subject of an invitation for subscription or purchase, nor will it circulate or distribute the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in 275(2)of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Japan

Each Dealer understands that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any jurisdiction by the Dealers or the Issuer that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular, or any part thereof including any Final Terms, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells, or delivers Notes or has in its possession or distributes this Offering Circular, or any part thereof including any Final Terms, or any such material, in all cases at its own expense. Each Dealer will also procure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the Issuer's action). The Issuer will have no responsibility for, and each Dealer will obtain any consent, approval or permission required by the Issuer for, the acquisition, offer, sale or delivery by the Issuer of Notes under the laws and regulations in force in any jurisdiction to which they are subject or in or from which they make any acquisition, offer, sale or delivery.

No Dealer is authorized to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in this Offering Circular, including the Final Terms.

Selling restrictions may be supplemented or modified with the Issuer's agreement. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Series of Notes) or (in any other case) in a supplement to this Offering Circular.

Purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon for the Dealers by Proskauer Rose LLP, New York. Proskauer Rose LLP may rely, without independent verification as to matters of Brazilian law, on the opinion of Machado, Meyer, Sendacz e Opice Advogados, Brazilian counsel to the Dealers.

INDEPENDENT AUDITORS

Our non-consolidated financial statements and our consolidated financial statements as of and for the nine months ended 30 September 2008 and 2009 were subject to a limited review by KPMG Auditores Independentes in accordance with specific standards established by IBRACON and the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*), or CFC. The limited review report issued by KPMG Auditores Independentes regarding our consolidated financial statements as of and for the nine months ended 30 September 2008 contains a paragraph stating that Law no. 11638 was enacted on 28 December 2007, and came into force on 01 January 2008. This Law amended, revoked and introduced new provisions into the Brazilian Corporations Law and will change the accounting practices adopted in Brazil. Although this law has come into force, the main amendments it has introduced are subject to validation by the competent regulatory authorities before they apply in full to companies. During this transition period, the CVM issued a Market Notice on 14 January 2008, exempting companies from compliance with the provisions of Law no. 11638/07 in the preparation of their Quarterly Information, or ITR. The information in the ITR for the nine months ended 30 September 2008 and in our non-consolidated and consolidated financial statements as of and for nine months ended 30 September 2008 included herein has therefore been prepared in accordance with the specific instruction of the CVM and does not include the changes in accounting practices introduced by Law no. 11638/07. However, the information in the ITR for the nine months ended 30 September 2009 and in our non-consolidated and consolidated financial statements as of and for nine months ended 30 September 2009 includes the changes in accounting practices introduced by Law no. 11638/07.

Our non-consolidated financial statements and our consolidated financial statements as of and for the years ended 31 December 2006, 2007 and 2008 were audited in accordance with auditing standards applicable in Brazil by KPMG Auditores Independentes. The opinion of KPMG Auditores Independentes as of and for the year ended 31 December 2006 and 2007 contains a paragraph stating that the financial statements of the Insurance Company for the same periods, and of the subsidiary Paraná Consórcio Ltda. and of Paraná Banco I FIDC, as of and for the year ended 31 December 2006 and 2007, were audited by other independent auditors.

The financial statements of the Insurance Company as of and for the years ended 31 December 2007 and 2008, have been prepared in accordance with Brazilian GAAP and audited by KPMG Auditores Independentes, as stated in their report.

The unaudited financial statements of the Insurance Company as of and for the nine months ended 30 September 2008 and the nine months ended 30 September 2009 were subject to limited review procedures by KPMG Auditores Independentes, in accordance with the standards of IBRACON for review of such information.

The financial statements of the Insurance Company as of and for the year ended 31 December 2006, have been prepared in accordance with Brazilian GAAP and audited by Deloitte Touche Tohmatsu Auditores Independentes, independent auditors, as stated in their report.

LISTING AND GENERAL INFORMATION

Application has been made to list Notes issued under the Programme on the Official List of the Luxembourg Stock Exchange and for the Notes to be traded on the Euro MTF. If listed and so long as the rules of the Luxembourg Stock Exchange require, notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published on the website of the Luxembourg Stock Exchange at *www.bourse.lu* (or if the rules so requires, in a leading newspaper of general circulation in Luxembourg, which we expect to be the *Luxemburger Wort*.)

We accept responsibility for the information contained in this Offering Circular. To the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

We have appointed The Bank of New York Mellon (Luxembourg) S.A. as the Luxembourg listing and paying agent for the Notes in Luxembourg. We reserve the right to vary such appointment. So long as the Notes are listed on the Luxembourg Stock Exchange (Euro MTF), we will maintain a paying agent in Luxembourg.

However, Notes may be issued pursuant to the Programme which will no be listed on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

Each Series of Notes that will be eligible for trading and accepted for clearance through Euroclear and Clearstream will be assigned a Common Code and International Securities Identification Number, or ISIN, for such Series of Notes as set forth in the relevant Final Terms.

The establishment of the Programme was authorized by us on 31 July 2006. We have obtained all necessary consents, approvals and authorizations in Brazil in connection with the Programme and the issuance of Notes thereunder.

Except as disclosed in this Offering Circular there has been no significant change in our financial or trading position since 30 September 2009 and no material adverse change in our financial position or prospects since 30 September 2009, which is the date of our last unaudited consolidated financial statements, included elsewhere in this offering circular, which were subject to a limited review by our independent auditors. See also "Presentation of Financial and Other Information," "Selected Financial and Operating Data" and "Other Financial Information."

Except as disclosed in this Offering Circular, we are not involved in any litigation or arbitration proceedings including governmental proceedings, relating to any claims or amounts that are material in the context of the Programme or any Notes issued thereunder, nor so far as management is aware is any such litigation or arbitration pending or threatened.

We are not involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the Programme or any Notes issued thereunder nor, so far as we are aware, is any litigation or arbitration threatened.

Copies in English of our audited annual and unaudited semi-annual financial statements prepared on a consolidated basis may be obtained, and copies of the Indenture and our by-laws will be available free of charge, at the specified offices of each of the Paying Agents (including the Luxembourg Paying Agent) during their normal business hours, so long as any of the Notes is outstanding.

Copies of this Offering Circular and the Indenture will be available free of charge at our registered office.

Physical or electronic copies of our constitutive documents may be inspected during normal business hours (i) at the specified office of the Listing Agent in Luxembourg, (ii) at the specified offices of any Paying Agent and (iii) at our registered office in Curitiba, Brazil.

The estimated costs associated with the update of this Programme are expected to amount to U.S.$0.9 million.

APPENDIX F

INDEX TO THE FINANCIAL STATEMENTS

Unaudited Non-Consolidated Financial Statements of Paraná Banco S.A. and Unaudited Consolidated Financial Statements of Paraná Banco S.A. and its Subsidiaries

Audited Non-Consolidated Financial Statements of Paraná Banco S.A. and Audited Consolidated Financial Statements of Paraná Banco S.A. and its Subsidiaries

KPMG

KPMG Auditores Independentes
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80410-180 - Curitiba, PR - Brazil
P.O Box 13533
80420-990 - Curitiba, PR - Brazil

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Independent auditors' review report

To
The Board of Directors and Shareholders
Paraná Banco S.A.
Curitiba - PR

1. We have reviewed the accounting information included in the Bank and Consolidated Quarterly Information (ITR) of Paraná Banco S.A. referring to the quarter ended September 30, 2009, consisting of the balance sheet, statement of income, changes in shareholders' equity, statements of cash flows, performance report and accompanying notes, which are the responsibility of its management.

2. Our review was conducted in accordance with the specific rules established by the IBRACON - Brazilian Institute of Accountants and the Federal Accounting Council (CFC) and consisted mainly of: (a) inquiries and discussion with the management responsible for the accounting, financial and operating departments of the Bank with respect to the main criteria adopted to prepare the quarterly information and (b) a review of the information and subsequent events that had or may have a material effect on the financial situation and operations of the Bank.

3. Based on our special review we are not aware of any material changes that should be made to the aforementioned quarterly information for it to be in accordance with the rules established by the Brazilian Securities Exchange Commission (CVM) that apply to the preparation of the Quarterly Information and prepared in accordance with the regulations of the Brazilian Central Bank.

November 4, 2009

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-PR

Alberto Spilborghs Neto
Accountant CRC 1SP167455/O-0-S-PR

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

02.01 - BALANCE SHEET - ASSETS (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2009	4 – 06/30/2009
1	Total Assets	1,932,928	1,740,950
1.01	Current Assets	881,613	596,876
1.01.01	Cash and Bank Deposits	150	195
1.01.02	Interbank Funds Invested	104,839	30,263
1.01.02.01	Money Market	96,629	19,999
1.01.02.02	Interbank Placements	8,210	10,264
1.01.03	Securities	168,410	28,903
1.01.03.01	Own Portfolio	154,371	27,992
1.01.03.02	Subject to Repurchase Commitment	14,039	911
1.01.04	Interbank Accounts	377	757
1.01.04.01	Collections in Transit	367	749
1.01.04.02	Deposits with the Brazilian Central Bank	10	8
1.01.05	Interbranches Accounts	0	0
1.01.06	Loans	551,929	486,508
1.01.06.01	Loans – Private Sector	597,316	522,853
1.01.06.02	Allowance for Doubtful Loans	(45,387)	(36,345)
1.01.07	Leasing Operations	0	0
1.01.08	Other Receivables	21,320	19,355
1.01.08.01	Service Fees Receivable	1	1
1.01.08.02	Other	21,618	19,638
1.01.08.03	Allowance for Other Loans	(299)	(284)
1.01.09	Other Assets	34,588	30,895
1.01.09.01	Other Assets	143	129
1.01.09.02	Valuation Allowance	(58)	(46)
1.01.09.03	Prepaid Expenses	34,503	30,812
1.02	Non-current Assets	792,354	892,872
1.02.01	Interbank Funds Invested	0	0
1.02.01.01	Interbank Placements	0	0
1.02.02	Securities	159,651	278,265
1.02.02.01	Own Portfolio	159,651	278,265
1.02.02.02	Subject to Repurchase Commitment	0	0
1.02.03	Interbank Placements	0	0
1.02.04	Interbranches Accounts	0	0
1.02.05	Loans	581,942	565,915
1.02.05.01	Loans – Private Sector	587,100	571,013
1.02.05.02	Allowance for Doubtful Loans	(5,158)	(5,098)
1.02.06	Leasing Operations	0	0
1.02.07	Other Receivables	16,847	15,133
1.02.07.01	Other	16,946	15,322
1.02.07.02	Allowance for Other Loans	(99)	(189)
1.02.08	Other Assets	33,914	33,559

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 - IDENTIFICATION

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02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

02.01 - BALANCE SHEET - ASSETS (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2009	4 – 06/30/2009
1.02.08.01	Prepaid expenses	33,914	33,559
1.03	Permanent assets	258,961	251,202
1.03.01	Investments	255,028	247,258
1.03.01.01	Foreign Investments	0	0
1.03.01.02	Subsidiaries	254,961	247,108
1.03.01.03	Interest in Direct/Indirect Associated Companies	0	0
1.03.01.04	Other Investments	84	167
1.03.01.05	Provision for Losses	(17)	(17)
1.03.02	Fixed Assets for Own Use	3,263	3,225
1.03.02.01	Property for Own Use	1,867	1,867
1.03.02.02	Other Fixed Assets	3,071	2,945
1.03.02.03	Accumulated Depreciation	(1,675)	(1,587)
1.03.03	Leased Assets	0	0
1.03.04	Intangible Assets	0	0
1.03.05	Deferred Charges	670	719
1.03.05.01	Deferred Charges	1,014	1,014
1.03.05.02	Accumulated Amortization	(344)	(295)

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 – IDENTIFICATION

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02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

02.02 - BALANCE SHEET - LIABILITIES (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2009	4 – 06/30/2009
2	Total Liabilities	1,932,928	1,740,950
2.01	Current Liabilities	681,769	473,737
2.01.01	Deposits	553,741	360,097
2.01.01.01	Demand Deposits	5,799	11,575
2.01.01.02	Interbank Deposits	147,401	38,176
2.01.01.03	Time Deposits	400,492	310,289
2.01.01.04	Other Deposits	49	57
2.01.02	Money Market Repurchase Commitments	13,998	910
2.01.02.01	Own Portfolio	13,998	910
2.01.03	Acceptances and Endorsements	0	0
2.01.04	Interbank Accounts	802	298
2.01.04.01	Payments in Transit	802	298
2.01.05	Interbranch Accounts	0	0
2.01.06	Borrowings	0	0
2.01.07	Domestic Repass Borrowings	0	0
2.01.08	Foreign Currency Repass Borrowings	0	0
2.01.09	Other Liabilities	113,228	112,432
2.01.09.01	Collection of Taxes	457	355
2.01.09.02	Corporate and Statutory Contributions	6,503	16,089
2.01.09.03	Taxes and Social Security Payable	15,989	12,204
2.01.09.04	Other	90,279	83,784
2.02	Non-current Liabilities	429,085	456,334
2.02.01	Deposits	349,313	364,094
2.02.01.01	Time Deposits	349,313	364,094
2.02.02	Money Market Repurchase Commitments	0	0
2.02.03	Acceptances and Endorsements	63,446	70,290
2.02.04	Interbank Accounts	0	0
2.02.05	Interbranch Accounts	0	0
2.02.06	Borrowings	0	0
2.02.07	On Lending - Domestic	0	0
2.02.08	On Lending - Foreign Currency	0	0
2.02.09	Other Liabilities	16,326	21,950
2.02.09.01	Taxes and Social Security Payable	2,292	2,799
2.02.09.02	Other	6,519	7,981
2.02.09.03	Derivative financial instruments	7,515	11,170
2.03	Deferred Income	11,003	7,688
2.05	Shareholders' Equity	811,071	803,191
2.05.01	Paid-In Capital Stock	763,867	763,867
2.05.01.01	Domestic	680,248	670,920
2.05.01.02	Foreign	83,619	92,947
2.05.02	Capital Reserves	265	265
2.05.03	Revaluation Reserve	0	0

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR **September 30, 2009** Brazilian Corporate Law
FINANCIAL INSTITUTION

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

02.02 - BALANCE SHEET - LIABILITIES (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2009	4 – 06/30/2009
2.05.03.01	Own Assets	0	0
2.05.03.02	Indirect and Direct Associated Companies	0	0
2.05.04	Earnings Reserves	32,798	39,161
2.05.04.01	Legal	10,150	10,150
2.05.04.02	Statutory	31,179	31,179
2.05.04.03	For Contingencies	0	0
2.05.04.04	Realizable Profit	0	0
2.05.04.05	Profit Retention	0	0
2.05.04.06	Special for Non-Distributed Dividends	0	0
2.05.04.07	Other Revenue Reserves	(8,531)	(2,168)
2.05.04.07.01	Treasury shares	(8,531)	(2,168)
2.05.05	Adjustments in financial position	(96)	(102)
2.05.05.01	MTM of Available for Sale Securities	(96)	(102)
2.05.05.02	Cumulative translation accounting	0	0
2.05.05.03	Business combinations	0	0
2.05.06	Retained Earnings/Accumulated Losses	14,237	0

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR **September 30, 2009** Brazilian Corporate Law
FINANCIAL INSTITUTION

01.01 – IDENTIFICATION

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02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

03.01 – STATEMENT OF INCOME (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2009 to 09/30/2009	4- 01/01/2009 to 09/30/2009	5- 07/01/2008 to 09/30/2009	6-01/01/2008 to 09/30/2008
3.01	Income from Financial Operations	79,109	217,155	83,751	238,284
3.01.01	Loans	69,971	189,737	74,992	213,034
3.01.02	Securities	9,138	27,418	8,759	25,250
3.02	Expenses from Financial Operations	(40,756)	(101,695)	(50,580)	(109,177)
3.02.01	Deposits, Money Market and Interbank Funds	(15,435)	(42,965)	(44,192)	(84,064)
3.02.02	Derivative Financial Instruments	(6,585)	(20,084)	2,605	199
3.02.03	Allowance for Doubtful Loans	(18,736)	(38,646)	(8,993)	(25,312)
3.03	Net Income from Financial Operations	38,353	115,460	33,171	129,107
3.04	Other Operating income/Expenses	(21,896)	(64,936)	(16,335)	(89,389)
3.04.01	Service Fee Income	1,211	3,431	1,987	6,555
3.04.02	Personnel Expenses	(3,710)	(11,957)	(4,714)	(12,844)
3.04.03	Other Administrative Expenses	(14,031)	(41,966)	(12,702)	(68,288)
3.04.04	Transactional Taxes	(2,153)	(6,951)	(2,358)	(8,633)
3.04.05	Other Operating Income	5,814	16,109	3,478	13,813
3.04.06	Other Operating Expenses	(16,880)	(53,659)	(8,252)	(37,646)
3.04.07	Result in Equity Accounting Method	7,853	30,057	6,226	17,654
3.05	Operating Income	16,457	50,524	16,836	39,718
3.06	Net Non-operating Income (Expenses)	282	1,294	27	76
3.06.01	Income	282	1,294	27	81
3.06.02	Expenses	0	0	0	(5)
3.07	Income Before Taxes on Income/Profit Sharing	16,739	51,818	16,863	39,794
3.08	Income and Social Contribution Taxes	(4,780)	(10,620)	(4,296)	(12,796)
3.08.01	Current Income Tax	(2,951)	(6,554)	(4,073)	(9,331)
3.08.02	Current Social Contribution Tax	(1,829)	(4,066)	(223)	(3,465)
3.09	Deferred Income and Social Contribution Taxes	2,278	4,964	1,702	6,883
3.10	Profit Sharing	0	(339)	0	(1,350)
3.10.01	Profit Sharing	0	(339)	0	(1,350)

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 – IDENTIFICATION

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02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

03.01 – STATEMENT OF INCOME (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2009 to 09/30/2009	4- 01/01/2009 to 09/30/2009	5- 07/01/2008 to 09/30/2009	6-01/01/2008 to 09/30/2008
3.10.02	Contributions	0	0	0	0
3.11	Reversal of Interest on Own Capital	7,547	31,805	5,272	29,990
3.13	Net Income/Loss for the Period	21,784	77,628	19,541	62,521
	NUMBER OF SHARES, EX-TREASURY (In Units)	95,408,132	95,408,132	105,680,632	105,680,632
	NET INCOME PER SHARE (In Reais)	0.22832	0.81364	0.18491	0.59160
	LOSS PER SHARE (In Reais)				

01.01 – IDENTIFICATION

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02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

04.01 – STATEMENT OF CASH FLOWS – INDIRECT METHOD (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2009 to 09/30/2009	4- 01/01/2009 to 09/30/2009	5- 07/01/2008 to 09/30/2008	6-01/01/2008 to 09/30/2008
4.01	Cash Flows from Operating Activities	(96,604)	(136,958)	(85,545)	(432,543)
4.01.01	Cash from Operations	33,860	88,542	23,361	66,435
4.01.01.01	Net Income	21,784	77,628	19,541	62,521
4.01.01.02	Depreciation and Amortization	156	411	116	319
4.01.01.03	Result in Equity Accounting Method	(7,853)	(30,057)	(6,226)	(17,654)
4.01.01.04	Allowance for Doubtful Loans	18,736	38,646	8,993	25,312
4.01.01.05	Deferred Income and Social Contribution Taxes	(2,278)	(4,964)	(1,702)	(6,883)
4.01.01.06	Deferred Income	3,315	6,878	2,639	2,820
4.01.02	Changes in Assets and Liabilities	(130,464)	(225,500)	(108,906)	(498,978)
4.01.02.01	MTM of Available for Sale Securities	6	28	(56)	(95)
4.01.02.02	(Increase) Decrease in Interbank Funds Invested	0	0	0	0
4.01.02.03	(Increase) Decrease in Securities	(20,893)	(824)	3,893	(101,095)
4.01.02.04	(Increase) Decrease in Interbank Accounts	884	429	231	(390)
4.01.02.05	(Increase) Decrease in Loans	(100,184)	(256,212)	(82,476)	(321,246)
4.01.02.06	(Increase) Decrease in Other Receivables	(1,401)	(6,362)	(441)	(15,948)
4.01.02.07	(Increase) Decrease in other Assets	(4,048)	(8,234)	(10,997)	(23,153)
4.01.02.08	Increase (Decrease) in Financial Instruments	(3,655)	7,515	(2,605)	(4,111)
4.01.02.09	Increase (Decrease) in Other Liabilities	(1,173)	38,160	(16,455)	(32,940)
4.01.03	Others	0	0	0	0
4.02	Cash Flows from Investing Activities	(62)	123	(269)	(143,019)
4.02.01	Disposals of Fixed Assets for Own Use	(145)	(256)	(234)	(774)
4.02.02	Dividends Received	83	379	0	5
4.02.03	Acquisition of Other Investments	0	0	0	638
4.02.04	Acquisition of Investments	0	0	0	0
4.02.05	Acquisition of Fixed Assets for Own Use	0	0	0	(142,616)
4.02.06	Acquisition of Deferred Charges	(145)	(256)	(234)	(774)
4.02.07	Acquisition of Intangible assets	0	0	(35)	(272)
4.03	Cash Flows from Financing Activities	171,197	156,640	55,575	341,033

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR **September 30, 2009** Brazilian Corporate Law
FINANCIAL INSTITUTION

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

04.01 – STATEMENT OF CASH FLOWS – INDIRECT METHOD (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2009 to 09/30/2009	4- 01/01/2009 to 09/30/2009	5- 07/01/2008 to 09/30/2009	6-01/01/2008 to 09/30/2008
4.03.01	Increase (Decrease) in Deposits	178,863	256,109	(18,214)	267,707
4.03.02	Increase (Decrease) in Money Market Repurchase Commitments	13,088	8,000	13,643	14,116
4.03.03	Increase (Decrease) in Acceptances and Endorsements	(6,844)	(34,235)	79,134	63,481
4.03.04	Capital Increase	0	0	0	64,016
4.03.05	Interest on Own Capital	(7,547)	(31,805)	(5,272)	(29,990)
4.03.06	Treasury Shares	(6,363)	(41,429)	(13,716)	(38,297)
4.04	Foreign Exchange in Cash and Cash Equivalents	0	0	0	0
4.05	Increase (Decrease) in Cash and Cash Equivalents	74,531	19,805	(30,239)	(234,529)
4.05.01	Cash and Cash Equivalents at Beginning of the Quarter	30,458	85,184	102,824	307,114
4.05.02	Cash and Cash Equivalents at End of the Quarter	104,989	104,989	72,585	72,585

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR **September 30, 2009** Brazilian Corporate Law
FINANCIAL INSTITUTION

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

05.01 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (BANK) FROM 07/01/2009 TO 09/30/2009 (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- CAPITAL	4- CAPITAL RESERVES	5- REVALUATION RESERVE	6- EARNINGS RESERVES	7 – RETAINED EARNINGS	8- ADJUSTMENTS IN FINANCIAL POSITION	9-TOTAL
5.01	Balances at the beginning of the quarter	763,867	265	0	39,161	0	(102)	803,191
5.02	Prior year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balances	763,867	265	0	39,161	0	(102)	803,191
5.04	Net income	0	0	0	0	21,784	0	21,784
5.05	Appropriations from net income	0	0	0	0	(7,547)	0	(7,547)
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on own capital	0	0	0	0	(7,547)	0	(7,547)
5.05.03	Others	0	0	0	0	0	0	0
5.06	Realization of earnings reserves	0	0	0	0	0	0	0
5.07	Adjustments in financial position	0	0	0	0	0	0	0
5.07.01	MTM of Available for Sale Securities	0	0	0	0	0	0	0
5.07.02	Cumulative translation accounting	0	0	0	0	0	0	0
5.07.03	Business combinations	0	0	0	0	0	0	0
5.08	Increase/decrease of capital	0	0	0	0	0	0	0
5.09	Constitution/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury shares	0	0	0	(6,363)	0	0	(6,363)
5.11	Others transactions of capital	0	0	0	0	0	0	0
5.12	Others	0	0	0	0	0	0	0
5.13	Balances at the end of the quarter	763,867	265	0	32,798	14,237	(96)	811,071

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR **September 30, 2009** Brazilian Corporate Law
FINANCIAL INSTITUTION

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

05.02 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (BANK) FROM 01/01/2009 TO 09/30/2009 (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- CAPITAL	4- CAPITAL RESERVES	5- REVALUATION RESERVE	6- EARNINGS RESERVES	7 – RETAINED EARNINGS	8- ADJUSTMENTS IN FINANCIAL POSITION	9-TOTAL
5.01	Balances at the beginning of the quarter	763,867	265	0	42,641	0	(124)	806,649
5.02	Prior year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balances	763,867	265	0	42,641	0	(124)	806,649
5.04	Net income	0	0	0	0	77,628	0	77,628
5.05	Appropriations from net income	0	0	0	0	(31,805)	0	(31,805)
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on own capital	0	0	0	0	(31,805)	0	(31,805)
5.05.03	Others	0	0	0	0	0	0	0
5.06	Realization of earnings reserves	0	0	0	0	0	0	0
5.07	Adjustments in financial position	0	0	0	0	0	28	28
5.07.01	MTM of Available for Sale Securities	0	0	0	0	0	28	28
5.07.02	Cumulative translation accounting	0	0	0	0	0	0	0
5.07.03	Business combinations	0	0	0	0	0	0	0
5.08	Increase/decrease of capital	0	0	0	0	0	0	0
5.09	Constitution/realization of capital reserves	0	0	0	31,586	(31,586)	0	0
5.10	Treasury shares	0	0	0	(41,429)	0	0	(41,429)
5.11	Others transactions of capital	0	0	0	0	0	0	0
5.12	Others	0	0	0	0	0	0	0
5.13	Balances at the end of the quarter	763,867	265	0	32,798	14,237	(96)	811,071

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

08.01 – CONSOLIDATED BALANCE SHEET - ASSETS (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2009	4 – 06/30/2009
1	Total Assets	2,661,892	2,486,100
1.01	Current Assets	1,382,997	1,112,457
1.01.01	Cash and Bank Deposits	3,394	2,492
1.01.02	Interbank Funds Invested	104,839	35,034
1.01.02.01	Money Market	96,629	24,770
1.01.02.02	Interbank Placements	8,210	10,264
1.01.03	Securities	338,683	159,180
1.01.03.01	Own Portfolio	324,644	158,269
1.01.03.02	Subject to Repurchase Commitment	14,039	911
1.01.04	Interbank Accounts	377	757
1.01.04.01	Collections in Transit	367	749
1.01.04.02	Deposits with the Brazilian Central Bank	10	8
1.01.05	Interbranches Accounts	0	0
1.01.06	Loans	554,791	505,733
1.01.06.01	Loans – Private Sector	607,869	553,596
1.01.06.02	Allowance for Doubtful Loans	(53,078)	(47,863)
1.01.07	Leasing Operations	0	0
1.01.08	Other Receivables	115,278	146,521
1.01.08.01	Service Fees Receivable	1	1
1.01.08.02	Insurance Operations Receivables	80,352	117,619
1.01.08.03	Other	35,224	29,185
1.01.08.04	Allowance for Other Loans	(299)	(284)
1.01.09	Other Assets	265,635	262,740
1.01.09.01	Other Assets	143	129
1.01.09.02	Valuation Allowance	(58)	(46)
1.01.09.03	Prepaid Expenses	265,550	262,657
1.02	Non-current Assets	1,218,147	1,312,302
1.02.01	Interbank Funds Invested	0	0
1.02.01.01	Interbank Placements	0	0
1.02.02	Securities	326,661	416,947
1.02.02.01	Own Portfolio	326,661	416,947
1.02.02.02	Derivative Financial Instruments	0	0
1.02.03	Interbank Placements	0	0
1.02.04	Interbranches Accounts	0	0
1.02.05	Loans	592,314	599,488
1.02.05.01	Loans – Private Sector	597,472	604,586
1.02.05.02	Allowance for Doubtful Loans	(5,158)	(5,098)
1.02.06	Leasing Operations	0	0
1.02.07	Other Receivables	50,237	50,387
1.02.07.01	Insurance Operations Receivables	33,143	34,959
1.02.07.02	Other	17,193	15,617
1.02.07.03	Allowance for Other Loans	(99)	(189)
1.02.08	Other Assets	248,935	245,480

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A.	14.388.334/0001-99

08.01 – CONSOLIDATED BALANCE SHEET - ASSETS (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2009	4 – 06/30/2009
1.02.08.01	Prepaid Expenses	248,935	245,480
1.03	Permanent Assets	60,748	61,341
1.03.01	Investments	1,353	1,270
1.03.01.01	Foreign investments	0	0
1.03.01.02	Subsidiaries	0	0
1.03.01.03	Interest in Direct/Indirect Associated Companies	0	0
1.03.01.04	Other Investments	1,370	1,287
1.03.01.05	Provision for Losses	(17)	(17)
1.03.02	Fixed Assets for Own Use	5,586	5,477
1.03.02.01	Property for Own Use	1,867	1,867
1.03.02.02	Other Fixed Assets	6,367	6,118
1.03.02.03	Accumulated Depreciation	(2,648)	(2,508)
1.03.03	Leased Assets	0	0
1.03.04	Intangible Assets	53,774	54,557
1.03.04.01	Deferred Charges	65,520	65,520
1.03.04.02	Accumulated Amortization	(11,746)	(10,963)
1.03.05	Deferred Charges	35	37
1.03.05.01	Deferred Charges	187	187
1.03.05.02	Accumulated Amortization	(152)	(150)

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

08.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2009	4 – 06/30/2009
2	Total Liabilities	2,661,892	2,486,100
2.01	Current Liabilities	1,115,681	910,387
2.01.01	Deposits	569,642	389,213
2.01.01.01	Demand Deposits	4,522	11,107
2.01.01.02	Interbank Deposits	147,401	38,176
2.01.01.03	Time Deposits	417,670	339,873
2.01.01.04	Other Deposits	49	57
2.01.02	Money Market Repurchase Commitments	13,998	910
2.01.02.01	Own Portfolio	13,998	910
2.01.03	Acceptances and Endorsements	0	0
2.01.04	Interbank Accounts	802	298
2.01.04.01	Payments in Transit	802	298
2.01.05	Interbranches Accounts	0	0
2.01.06	Borrowings	0	0
2.01.07	Domestic Repass Borrowings	0	0
2.01.08	Foreign Currency Repass Borrowings	0	0
2.01.09	Other Liabilities	531,239	519,966
2.01.09.01	Collection of Taxes	457	355
2.01.09.02	Corporate and Statutory Contributions	6,503	16,089
2.01.09.03	Taxes and Social Security Payable	43,823	39,299
2.01.09.04	Insurance Operations Liabilities	118,651	124,677
2.01.09.05	Insurance Technical Provisions	269,098	253,316
2.01.09.06	Other	92,707	86,230
2.02	Non-current Liabilities	734,843	771,173
2.02.01	Deposits	365,812	396,018
2.02.01.01	Time Deposits	365,812	396,018
2.02.02	Money Market Repurchase Commitments	0	0
2.02.03	Acceptances and Endorsements	63,446	70,290
2.02.04	Interbank Accounts	0	0
2.02.05	Interbranches Accounts	0	0
2.02.06	Borrowings	0	0
2.02.07	On Lending – Domestic	0	0
2.02.08	On Lending – Foreign Currency	0	0
2.02.09	Other Liabilities	305,585	304,865
2.02.09.01	Taxes and Social Security Payable	2,517	3,437
2.02.09.02	Insurance Operations liabilities	78,314	78,288
2.02.09.03	Insurance Technical Provisions	208,979	202,063
2.02.09.04	Other	8,260	9,907
2.02.09.05	Derivative Financial Instruments	7,515	11,170
2.03	Deferred Income	0	0
2.04	Minority Interest	0	0
2.05	Shareholders' Equity	811,368	804,540

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A.	14.388.334/0001-99

08.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2009	4 – 06/30/2009
2.05.01	Paid-In Capital Stock	763,867	763,867
2.05.01.01	Domestic	680,248	670,920
2.05.01.02	Foreign	83,619	92,947
2.05.02	Capital Reserves	265	265
2.05.03	Revaluation Reserve	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Indirect and Direct Associated Companies	0	0
2.05.04	Earnings Reserves	32,798	40,510
2.05.04.01	Legal	10,150	10,150
2.05.04.02	Statutory	31,179	32,528
2.05.04.03	For Contingencies	0	0
2.05.04.04	Realizable Profit	0	0
2.05.04.05	Profit Retention	0	0
2.05.04.06	Special for Non-Distributed Dividends	0	0
2.05.04.07	Other Revenue Reserves	(8,531)	(2,168)
2.05.04.07.01	Treasury Shares	(8,531)	(2,168)
2.05.05	Adjustments in financial position	(96)	(102)
2.05.05.01	MTM of Available for Sale Securities	(96)	(102)
2.05.05.02	Cumulative translation accounting	0	0
2.05.05.03	Business combinations	0	0
2.05.06	Retained Earnings/Accumulated Losses	14,534	0

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01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

09.01 – CONSOLIDATED STATEMENT OF INCOME (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2009 to 09/30/2009	4- 01/01/2009 to 09/30/2009	5- 07/01/2008 to 09/30/2009	6-01/01/2008 to 09/30/2008
3.01	Income from Financial Operations	88,205	252,128	103,104	288,045
3.01.01	Loans	72,387	204,287	88,649	251,315
3.01.02	Securities	15,818	47,841	14,455	36,730
3.02	Expenses from Financial Operations	(41,500)	(109,444)	(57,193)	(127,397)
3.02.01	Deposits, Money Market and Interbank Funds	(16,390)	(49,259)	(49,709)	(100,834)
3.02.02	Derivative Financial Instruments	(6,585)	(20,084)	2,605	199
3.02.03	Allowance for Doubtful Loans	(18,525)	(40,101)	(10,089)	(26,762)
3.03	Net Income from Financial Operations	46,705	142,684	45,911	160,648
3.04	Other Operating income/Expenses	(27,263)	(78,385)	(25,352)	(102,902)
3.04.01	Service Fee Income	12,494	48,671	11,284	37,658
3.04.02	Personnel Expenses	(7,576)	(23,723)	(8,522)	(22,289)
3.04.03	Other Administrative Expenses	(27,018	(91,833)	(24,356)	(96,440)
3.04.04	Transactional Taxes	(3,125)	(10,381)	(3,510)	(11,968)
3.04.05	Other Income	82,199	277,243	53,303	165,359
3.04.05.01	Insurance Written Premiums	73,765	246,482	48,871	145,045
3.04.05.02	Other Operating Income	8,434	30,761	4,432	20,314
3.04.06	Other Operating Expenses	(84,237)	(278,362)	(53,551)	(175,222)
3.04.06.01	Coinsurance and Reinsurance Premiums Ceded	(40,863)	(154,556)	(26,930)	(91,528)
3.04.06.02	Change in the Provision for Unearned Premiums	(7,352)	(17,576)	(11,677)	(22,6880
3.04.06.03	Retained losses	(18,153)	(42,468)	(3,865)	(13,356)
3.04.06.04	Other Expenses	(17,869)	(63,762)	(11,079)	(47,650)
3.04.07	Result in Equity Accounting Method	0	0	0	0
3.05	Operating Income	19,442	64,299	20,559	57,746
3.06	Net Non-operating Income (Expenses)	260	1,219	(1)	3
3.06.01	Income	260	1,225	4	8
3.06.02	Expenses	0	(6)	(5)	(5)
3.07	Income Before Taxes on Income/Profit Sharing	19,702	65,518	20,558	57,749

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

09.01 – CONSOLIDATED STATEMENT OF INCOME (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2009 to 09/30/2009	4- 01/01/2009 to 09/30/2009	5- 07/01/2008 to 09/30/2009	6-01/01/2008 to 09/30/2008
3.08	Income and Social Contribution Taxes	(9,083)	(27,831)	(7,597)	(21,319)
3.08.01	Current Income Tax	(5,634)	(17,311)	(6,058)	(14,814)
3.08.02	Current Social Contribution Tax	(3,449)	(10,520)	(1,539)	(6,505)
3.09	Deferred Income and Social Contribution Taxes	2,719	6,575	1,048	3,545
3.10	Profit Sharing	238	(832)	(168)	(1,861)
3.10.01	Profit Sharing	238	(832)	(168)	(1,``861)
3.10.02	Contributions	0	0	0	0
3.11	Reversal of Interest on Own Capital	7,547	31,805	5,272	29,990
3.12	Minority Interest	0	0	0	0
3.13	Net Income/Loss for the Period	21,123	75,235	19,113	68,104
	NUMBER OF SHARES, EX-TREASURY (In Units)	95,408,132	95,408,132	105,680,632	105,680,632
	NET INCOME PER SHARE (In Reais)	0.22140	0.78856	0.18086	0.64443
	LOSS PER SHARE (In Reais)				

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR **September 30, 2009** Brazilian Corporate Law
FINANCIAL INSTITUTION

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

10.01 – CONSOLIDATED STATEMENT OF CASH FLOWS – INDIRECT METHOD (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2009 to 09/30/2009	4- 01/01/2009 to 09/30/2009	5- 07/01/2008 to 09/30/2009	6-01/01/2008 to 09/30/2008
4.01	Cash Flows from Operating Activities	(38,916)	7,733	(95,882)	(497,452)
4.01.01	Cash from Operations	37,874	111,541	28,542	93,454
4.01.01.01	Net Income	21,123	`75,235	19,113	68,104
4.01.01.02	Depreciation and Amortization	945	2,780	895	2M640
4.01.01.03	Result in Equity Accounting Method	0	0	0	0
4.01.01.04	Allowance for Doubtful Loans	18,525	40,101	10,089	26,762
4.01.01.05	Deferred Income and Social Contribution Taxes	(2,719)	(6,575)	(1,556)	(4,053)
4.01.01.06	Deferred Income	0	0	1	1
4.01.02	Changes in Assets and Liabilities	(76,790)	(103,808)	(124,424)	(590,906)
4.01.02.01	MTM of Available for Sale Securities	6	28	(56)	(95)
4.01.02.02	(Increase) Decrease in Interbank Funds Invested	0	0	0	0
4.01.02.03	(Increase) Decrease in Securities	(56,634)	(99,429)	(38,317)	(301,732)
4.01.02.04	(Increase) Decrease in Interbank Accounts	884	429	231	(390)
4.01.02.05	(Increase) Decrease in Loans	(60,409)	(126,004)	(55,622)	(273,833)
4.01.02.06	(Increase) Decrease in Other Receivables	34,112	34,574	(3,341)	(102,765)
4.01.02.07	(Increase) Decrease in other Assets	(6,350)	(231,148)	(2,119)	(25,290)
4.01.02.08	Increase (Decrease) in Financial Instruments	(3,655)	7,515	(2,605)	(4,111)
4.01.02.09	Increase (Decrease) in Other Liabilities	15,256	310,227	(22,595)	117,310
4.01.03	Others	0	0	0	0
4.02	Cash Flows from Investing Activities	(351)	(360)	(559)	(12,167)
4.02.01	Disposals of Fixed Assets for Own Use	0	0	5	0
4.02.02	Dividends Received	83	379	0	10
4.02.03	Acquisition of Other Investments	(166)	(166)	0	0
4.02.04	Acquisition of Investments	0	0	0	(1,117)
4.02.05	Acquisition of Fixed Assets for Own Use	0	0	0	0
4.02.06	Acquisition of Deferred Charges	(268)	(573)	(511)	(2,130)
4.02.07	Acquisition of Intangible assets	0	0	(53)	(8,930)
4.03	Cash Flows from Financing Activities	142,557	66,451	30,148	282,220

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009 Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

10.01 – CONSOLIDATED STATEMENT OF CASH FLOWS – INDIRECT METHOD (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2009 to 09/30/2009	4- 01/01/2009 to 09/30/2009	5- 07/01/2008 to 09/30/2009	6-01/01/2008 to 09/30/2008
4.03.01	Increase (Decrease) in Deposits	150,223	165,920	(43,641)	208,894
4.03.02	Increase (Decrease) in Money Market Repurchase Commitments	13,088	8,000	13,643	14,116
4.03.03	Increase (Decrease) in Acceptances and Endorsements	(6,844)	(34,235)	79,134	63,481
4.03.04	Capital Increase	0	0	0	64,016
4.03.05	Interest on Own Capital	(7,547)	(31,805)	(5,272)	(29,990)
4.03.06	Treasury Shares	(6,363)	(41,429)	(13,,716)	(38,297)
4.04	Foreign Exchange in Cash and Cash Equivalents	0	0	0	0
4.05	Increase (Decrease) in Cash and Cash Equivalents	103,290	73,824	(66,293)	(227,399)
4.05.01	Cash and Cash Equivalents at Beginning of the Quarter	98,472	127,938	168,393	329,499
4.05.02	Cash and Cash Equivalents at End of the Quarter	201,762	201,762	102,100	102,100

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009

Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

11.01 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONSOLIDATED) FROM 07/01/2009 TO 09/30/2009 (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- CAPITAL	4- CAPITAL RESERVES	5- REVALUATION RESERVE	6- EARNINGS RESERVES	7 – RETAINED EARNINGS	8- ADJUSTMENTS IN FINANCIAL POSITION	9-TOTAL
5.01	Balances at the beginning of the quarter	763,867	265	0	39,161	1,349	(102)	804,540
5.02	Prior year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balances	763,867	265	0	39,161	1,349	(102)	804,540
5.04	Net income	0	0	0	0	21,123	0	21,123
5.05	Appropriations from net income	0	0	0	0	(7,547)	0	(7,547)
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on own capital	0	0	0	0	(7,547)	0	(7,547)
5.05.03	Others	0	0	0	0	0	0	0
5.06	Realization of earnings reserves	0	0	0	0	0	0	0
5.07	Adjustments in financial position	0	0	0	0	0	6	0
5.07.01	MTM of Available for Sale Securities	0	0	0	0	0	6	0
5.07.02	Cumulative translation accounting	0	0	0	0	0	0	0
5.07.03	Business combinations	0	0	0	0	0	0	0
5.08	Increase/decrease of capital	0	0	0	0	0	0	0
5.09	Constitution/realization of capital reserves	0	0	0	0	0	0	0
5.10	Treasury shares	0	0	0	(6,363)	0	0	(6,363)
5.11	Others transactions of capital	0	0	0	0	0	0	0
5.12	Others	0	0	0	0	(391)	0	(391)
5.13	Balances at the end of the quarter	763,867	265	0	32,798	14,534	(96)	811,368

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2009

Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

11.02 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONSOLIDATED) FROM 01/01/2009 TO 09/30/2009 (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- CAPITAL	4- CAPITAL RESERVES	5- REVALUATION RESERVE	6- EARNINGS RESERVES	7 – RETAINED EARNINGS	8- ADJUSTMENTS IN FINANCIAL POSITION	9-TOTAL
5.01	Balances at the beginning of the quarter	763,867	265	0	45,722	0	(124)	809,730
5.02	Prior year adjustments	0	0	0	0	0	0	0
5.03	Adjusted balances	763,867	265	0	45,722	0	(124)	809,730
5.04	Net income	0	0	0	0	75,235	0	75,235
5.05	Appropriations from net income	0	0	0	0	(31,805)	0	(31,805)
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on own capital	0	0	0	0	(31,805)	0	(31,805)
5.05.03	Others	0	0	0	0	0	0	0
5.06	Realization of earnings reserves	0	0	0	0	0	0	0
5.07	Adjustments in financial position	0	0	0	0	0	28	28
5.07.01	MTM of Available for Sale Securities	0	0	0	0	0	28	28
5.07.02	Cumulative translation accounting	0	0	0	0	0	0	0
5.07.03	Business combinations	0	0	0	0	0	0	0
5.08	Increase/decrease of capital	0	0	0	0	0	0	0
5.09	Constitution/realization of capital reserves	0	0	0	28,505	(28,505)	0	0
5.10	Treasury shares	0	0	0	(41,429)	0	0	(41,429)
5.11	Others transactions of capital	0	0	0	0	0	0	0
5.12	Others	0	0	0	0	(391)	0	(391)
5.13	Balances at the end of the quarter	763,867	265	0	32,798	14,534	(96)	811,368

(In R$ thousand)

1 Operations

Paraná Banco S.A. ("Bank") is a multiple bank whose core activity is to borrow and lend money and conduct accessory operations inherent to the commercial and credit portfolios, financing and investment portfolios and managing the credit card portfolio.

Through its indirect subsidiaries, it also operates with insurance and reinsurance in the basic and damages lines, operating mainly with guarantees of contractual obligations, in which it is specialized.

On November 4, 2009, the Management Board authorized the Bank's directors to publish the financial information, as of November 5, 2009.

2 Presentation of the financial statements

The Bank's financial statements and its consolidated financial statements, which embrace the financial statements of the Bank, its subsidiaries, the Fundo de Investimento em Direitos Creditórios Paraná Banco II ("FIDC") and the Fundo de Investimento em Direitos Creditórios Paraná Banco I (on June 30, 2009), were prepared based on the accounting practices deriving from Brazilian corporation law, associated with the regulations and instructions of the National Monetary Council ("CMN"), the Brazilian Central Bank ("BACEN"), the Brazilian Securities Exchange Commission ("CVM"), the Private Insurance Council ("CNSP"), the Private Insurance Regulator ("SUSEP") and the Committee for Accounting Pronouncements ("CPC"), when applicable.

In order to prepare these consolidated financial statements, the investments held by one company in another were eliminated, together with the intercompany asset and liability account balances, intercompany income and expenses balances and unearned income arising from intercompany transactions. Minority interest in the shareholders' equity and results of the subsidiaries have been reported separately in the consolidated balance sheet and consolidated statement of income for the quarter, respectively, when applicable. Gains and losses on foreign exchange, were reclassified to cost of market funding. The software development costs, classified by the Bank as Deferred Charges and the balances for Deferred Income were reclassified to Intangible Assets, and Other Liabilities, respectively.

We present below the main companies included in the consolidation and the investment interests held by the Bank:

	September 30, 2009			
Subsidiaries	**Assets**	**Liabilities**	**Net income**	**% of interest**
J Malucelli Seguradora S.A (a)	581,745	479,191	6,316	100,00(*)
J Malucelli Resseguradora S.A. (b)	399,461	315,897	1,218	100,00(*)
Tresor Holdings S.A. (c)	15,704	45	947	100,00
Porto de Cima Holding Ltda (c)	136,797	-	5,369	100,00
Paraná Administradora de Consórcio Ltda. (d)	407	127	3	99,99
J. Malucelli Vida e Previdência S.A (e)	23,895	5,195	389	99,99
J. Malucelli Agenciamento e Serviços Ltda. (f)	2,497	2,537	(73)	99,99
J Malucelli Participação em Seguros e Resseguros S.A. (g)	83,608	44	1,218	100,00
Credit Rights Investment Fund (FIDCs)				
Fundo de Investimento em Direitos Creditórios Paraná Banco II (h)	52,919	40	1,181	

(*) Indirect interest.

	June 30, 2009			
Subsidiaries	**Assets**	**Liabilities**	**Net income**	**% of interest**
J Malucelli Seguradora S.A (a)	565,293	469,055	6,225	100,00(*)
J Malucelli Resseguradora S.A. (b)	201,150	118,804	4,316	100,00(*)
Tresor Holdings S.A. (c)	14,757	45	933	100,00
Porto de Cima Holding Ltda (c)	131,429	-	5,292	100,00
Paraná Administradora de Consórcio Ltda. (d)	404	127	4	99,99
J. Malucelli Vida e Previdência S.A (e)	22,123	3,812	412	99,99
J. Malucelli Agenciamento e Serviços Ltda. (f)	2,321	2,287	(190)	99,99
J Malucelli Participação em Seguros e Resseguros S.A. (g)	82,439	93	4,316	100,00
Credit Rights Investment Fund (FIDCs)				
Fundo de Investimento em Direitos Creditórios Paraná Banco I (h)	22,372	18	118	
Fundo de Investimento em Direitos Creditórios Paraná Banco II (h)	67,593	63	1,026	

06.01 – NOTES TO THE FINANCIAL STATEMENTS

(a) The purpose of this company comprises insurance and coinsurance damage operations. It operates mainly in the class of business of surety bonds, in which it is specialized.

(b) The purpose of this company is to undertaken reinsurance and retrocession operations in the segment for damages, operating mainly in the area for guarantees for contractual obligations.

(c) Holding companies of the investment in the indirect subsidiary J. Malucelli Seguradora S.A.

(d) Investment acquired on April 4, 2006; the company is inactive.

(e) The company was incorporated on October 17, 2006, and homologated according to Ruling 2,731 from Superintendency for Private Insurance - SUSEP. The company is at the pre-operational stage.

(f) This company was purchased on December 28, 2007. This company operates in the rendering of the advisory and control services for discount operations in the payroll, and in the control and implementation of the franchised correspondents of the Bank and provides its own infrastructure for attending the public within the locations the Bank is interested in.

(g) Holding company of the investment in the indirect subsidiary J. Malucelli Resseguradora S.A. This company started its operations on June 2, 2008.

(h) Investment represented by 100% of the quotas subordinated from FIDCs, which, for purposes of presenting these financial statements, was consolidated in compliance with CVM Instruction 408, and the interpretation included in Official Circular CVM/SNC/SEP number 01/2007. Therefore, the unearned income arising from transactions with the FIDCs was eliminated in the consolidation, as presented in the reconciliation below. These FIDCs were consolidated since the Bank exercises operational control over the credits granted to the Fund. On August 18, 2009, the Credit Rights Investment Fund Paraná Banco I was closed.

The shareholders' equity and profit for the quarter that refer to participation of third parties in the FIDCs, for the amounts of R$ 34,064 and R$ 964 (R$ 61,892 and R$ 1,981 at June 30, 2009), respectively, are reported in time deposits and financial operating expenses, respectively.

The reconciliation of shareholders' equity as of September 30, 2009 and June 30, 2009 and net income for the quarters then ended of the Bank's stand alone and consolidated financial statements is as follows:

	September 30, 2009		June 30, 2009	
	Shareholders' equity	Net income	Shareholders' equity	Net income
Bank's stand alone	811,071	21,784	803,191	33,968
Adjustments related to unearned income arising from transactions with the FIDCs, net of taxes	297	(661)	1,349	(149)
Consolidated	811,368	21,123	804,540	33,819

As a result of reviewing the reinsurance company's plan of accounts, alterations were made to the balance sheet account classifications, with the most significant change made to the account for technical provisions and deferred sales expenses, both gross of reinsurance.

The respective reinsurance amounts are now classified to the accounts "Credit from insurance and reinsurance operations" and "prepayments" in current and non current assets, and to the accounts "debits from insurance and reinsurance operations" and "technical provisions – insurance" and reinsurance to current and non current liabilities. Consequently, the balance sheet and respective notes to the financial statements for the semester ended June 30, 2009, which had been previously published, were reclassified to improve comparisons between the periods.

	Balance published June 30, 2009	Reclassification	Reclassified balance June 30, 2009
Current assets			
Credit from insurance and reinsurance operations	117.113	506	117.619
Prepayments	169.802	92.855	262.657
Non current assets			
Prepayments	147.402	- 101.922	45.480
Current liabilities			
Debits from insurance and reinsurance operations	102.549	22.128	124.677
Technical provisions	182.793	70.523	253.316
Non current liabilities			
Debits from insurance and reinsurance operations	52.477	25.811	78.288
Technical provisions	129.086	72.977	202.063

3 Description of significant accounting policies

a. *Statement of income*

Income and expenses are recognized on the accrual basis.

The commission expenses from intermediary services for loan operations and fees for agency services or introducing business are recognized to results based on the period of the loan contracts. The balance for deferred commission is recorded to prepaid expenses.

The income arising from reimbursement of expenses of third-party services, included in the loan agreements, are recognized in income based on the duration of the respective agreements. The balance of the deferred income is recorded in the liabilities in deferred income at the Bank's balance sheet and is classified to "Other liabilities – others" at the Consolidated balance sheet.

Insurance and reinsurance premiums are recorded on the date the policies are issued. Insurance and reinsurance premiums and the respective sales expenses/revenue are recognized in the statement of income according to the policies' term. Insurance premiums for existing risks covered, whose policies have not yet been issued, are calculated according to the technical actuarial note. Profit shares in reinsurance policies ceded to reinsurers are recorded in the current assets and statement of income for the quarter, for the term of the policies, to the extent the income deriving from ceded reinsurance can be estimated with reasonable certainty.

b. *Accounting estimates*

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the allowance for doubtful loans, deferred income tax assets, provision for contingencies, market value of securities, profit sharing in reinsurance policies ceded reinsurers and insurance technical provisions. The settlement of transactions involving these estimates may result in different amounts due to lack of precision inherent to the process of their determination. The Bank and its subsidiaries reviews the estimates and assumptions monthly.

c. *Interbank funds invested*

Recorded at the acquisition cost plus the return obtained up to the balance sheet date.

d. *Securities*

As required by the Brazilian Central Bank Circular n° 3068, issued on November 8, 2001, securities classified as "securities available for sale" are initially stated at cost, plus accrued interest to the balance sheet date, and then adjusted to market value, net of taxes, and booked to an account "Market value adjustments – Securities" in shareholders' equity.

e. *Loans, insurance and reinsurance related assets and liabilities, time deposits, interbank deposits and other assets and liabilities*

Transactions subject to predetermined remuneration rates are recorded at redemption value, adjusted to present value in deferred income/expenses, respectively. Transactions subject to floating rates are recorded at cost plus interest accrued to the balance sheet date. Regardless of their level of risk, income from loans more than 60 days overdue is only recorded as revenue when effectively received. In the Bank stand alone, income from loan assignments, with or without co-obligation, is recognized in full in the statement of income for the quarter at the time of assignment, as required by BACEN. In Consolidated, the portfolio assigned to the FIDCs is recorded in loans and the respective income is recognized on a daily pro rata basis until the balance sheet date.

Deferred sales expenses are recognized in the accounting for the period of the validity of the policies and are recorded in the account "Other assets – prepaid expenses".

f. *Allowance for doubtful loans*

The allowance for loan and assigned loan with co-obligation losses has been made to an amount compatible with the overall credit risk assessment, in accordance with management analysis and regulations issued by the Brazilian Central Bank, which stipulates the creation of nine risk levels, AA (minimum risk) and H (loss), and minimum provision percentages for each level.

Operations classified as level H remain classified as such for six months, when they are then written off against the existing provision and are controlled, for five years, in memorandum accounts and are no longer recorded in balance sheet accounts. The renegotiated operations are retained, at a minimum, at the same level at which they were classified. The renegotiations of loans that had been written off against the provision and which were included in memorandum accounts are classified as H and any gains arising from the renegotiations are only recognized as income when actually received. The allowance for doubtful loans, considered sufficient by management, meets the minimum requirements established by the aforementioned resolution.

The provision for losses on insurance premiums receivable was recorded to cover any losses on the realization of these receivables.

g. *Investments*

Investment in subsidiaries is accounted for using the equity method, plus goodwill, when applicable. Other investments are recorded at cost, and adjusted by a provision for losses. In the consolidated statement the subsidiaries' goodwill, which is arising from expected future profits has been reclassified to deferred assets (note 10).

h. *Fixed assets for own use*

Stated at cost net of depreciation. Depreciation was calculated using the straight-line method, applying the following annual rates: 4% for property for own use; 10% for fixtures, fittings, communication and security systems, and 20% for data processing systems and vehicles.

i. Other current and non-current liabilities related to insurance operations

Stated at the known amounts or estimated, plus, when applicable, the corresponding charges and/or monetary and exchange variations incurred, along with the following:

- Deferred commission income is recognized during the policies' term and is recorded under "Insurance operation liabilities".

- Technical provisions are recorded according to the determinations of the National Private Insurance Council – CNSP and the Private Insurance Regulator – SUSEP, whose criteria, parameters and formulas are documented in technical actuarial notes - NTA.

- The provision for unearned premiums (UPR) is recorded at the gross value of the insurance premiums retained during the remaining coverage period of the risk, calculated on a straight-line basis according to the "pro rata dia" method. The UPR includes an amount corresponding to the estimated premiums of existing risks covered but unissued policies ("RVNE"). This reserve is being recorded according to the actuarial calculation that complies with the provisions of Circular 379/08;

- The Premium Deficiency Reserve (PDR) is calculated to cover any deficiencies of the UPR to cover future commitments under the existing insurance contracts. The PDR is calculated by the specific method described in a technical actuarial note. For the quarters ended September 30, 2009 and June 30, 2009 there were no provision to be recorded;

- The outstanding claims provision (PSL) is estimated based on the indemnities payable according to reported claims and adjusted periodically based on analyses conducted by technical departments. The PSL includes an estimate to cover the payment of indemnities and associated costs arising from judicial proceedings in progress, which is recorded based on notifications received and the regulation of claims up to the base date of the financial statements. Its value is determined according to the criteria established by CNSP Resolution 162/06 and amended by CNSP Resolution 181/07; and

- The Provision for Claims Incurred but Not Reported (IBNR) for DPVAT (Compulsory Third Party Motor Insurance) is recorded based on information received from the Seguradora Líder dos Consórcios do Seguro DPVAT S.A. (DPVAT Consortium) and takes into consideration the criteria established by CNSP Resolution 174/07. Financial charges are capitalized on the recorded provision, which are recorded and classified under "financial expenses".

j. Provision for income and social contribution taxes

The provision for income tax was calculated using a rate of 15% of taxable income, plus a surcharge of 10% on taxable income in excess of R$ 240. The social contribution tax was calculated using a rate of 9% until April 30, 2008 and after that, 15% of income before tax, adjusted according to current legislation.

The income and social contribution taxes on timing differences are included in "Other receivables – Other" and "Taxes and social security payable", and reflected in the net income for the quarter, or, when applicable, in the shareholders' equity at the same rates mentioned in the paragraph above.

k. Foreign currency balances

It was recorded at rates ruling at the balance sheet date.

l. Provisions

A provision is recognized in the balance sheet when the Bank or its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Additionally, for civil and labor contingencies an individual assessment of the contingencies based on the loss history independent of the risk classification. Provisions are recorded considering the best estimates of the risk specific to the liability.

4 Interbank funds invested

Refers to securities purchased under resale agreements and interbank funds applied, as presented below:

	Bank		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Money market – Backed position				
Financial Treasury Bills	629	19,999	629	24,770
Treasury Bills	6,000	-	6,000	-
Treasury Notes	90,000	-	90,000	-
Interbank placements	8,210	10,264	8,210	10,264
Total	104,839	30,263	104,839	35,034

5 Securities and derivative financial instruments

a. Securities

Securities were classified as available for sale and are presented as follows:

	September 30, 2009						
Type of security	On Demand	Up to 6 months	From 6 months to 1 year	More than 1 year	Market value	Cost	Adjustment to shareholders' equity
Own portfolio							
LFT (a.1)	-	55,964	79,592	159,651	295,207	295,348	(141)
FIDCs	-	18,815	-	-	18,815	18,815	-
Subject to repurchase commitments							
LFT (a.1)	-	14,039	-	-	14,039	14,059	(20)
Total – Bank	-	88,818	79,592	159,651	328,061	328,222	(161)
Own portfolio							
LFT (a.1)	-	75,605	83,952	175,559	335,116	335,257	(141)
Time deposits (a.2)	-	31,166	40,333	151,102	222,601	222,601	-
Corporate bonds	-	-	-	-	-	-	-
Other investment at IRB	59	-	-	-	59	59	-
Mutual funds	93,529	-	-	-	93,529	93,529	-
Subject to repurchase commitments							
LFT (a.1)	-	14,039	-	-	14,039	14,059	(20)
Total – Consolidated	93,588	120,810	124,285	326,661	665,344	665,505	(161)
Tax effects							65
Net adjustment to shareholders' equity – Bank and Consolidated							(96)

	June 30, 2009						
Type of security	**On Demand**	**Up to 6 months**	**From 6 months to 1 year**	**More than 1 year**	**Market value**	**Cost**	**Adjustment to shareholders' equity**
Own portfolio							
LFT (a.1)	-	-	-	278,265	278,265	278,435	(170)
FIDCs	-	13,996	13,996		27,992	27,992	-
Subject to repurchase commitments							
LFT (a.1)	-	911	-	-	911	911	-
Total – Bank	-	14,907	13,996	278,265	307,168	307,338	(170)
Own portfolio							
LFT (a.1)	-	4,304	38,183	304,356	346,843	347,013	(170)
Time deposits (a.2)	-	50,478	4,296	112,591	167,365	167,365	-
Corporate Bonds	-	-	-	-	-	-	-
Other investmests at IRB	62	-	-	-	62	62	-
Mutual funds	60,946	-	-	-	60,946	60,946	-
Subject to repurchase commitments							
LFT (a.1)	-	911	-	-	911	911	-
Total – Consolidated	61,008	55,693	42,479	416,947	576,127	576,297	(170)
Tax effects							68
Net adjustment to shareholders' equity – Bank and Consolidated							(102)

(a.1) The market value of Federal Government bonds are obtained using the rates published by ANDIMA - the National Association of Open Market Institutions.

(a.2) The time deposits (CDB/RDB) were negotiated with floating rates that range between 107% and 125% of the Interbank Deposit Certificate (CDI) and were recorded at cost, plus income earned up to the balance sheet date.

b. *Derivative financial instruments (Bank and Consolidated)*

As of September 30, 2009 and June 30, 2009, the derivative financial instruments portfolio comprised by swap contracts was presented as follows:

	September 30, 2009					
			On balance sheet – assets (liabilities)			
	Notional amount	Notional amount Accrued	Up to 1 year	Market value	Account balance /Cost (b.1)	Market value adjustment
Assets						
Foreign currency – American dollar	71,400	68,940	-	-	-	-
Liabilities						
Interbank rate – Interbank interest rate (CDI)	71,400	76,455	(557)	(6,958)	(7,515)	(7,515)

(b.1) This operation is recorded at its curve value, considering that it was used for hedging the raising of fixed rated notes – note 13.

	June 30, 2009					
			On balance sheet – assets (liabilities)			
	Notional amount	Notional amount Accrued	Up to 1 year	Market value	Account balance /Cost (b.1)	Market value adjustment
Assets						
Foreign currency – American dollar	71,400	71,662	-	-	-	-
Liabilities						
Interbank rate - Interbank interest rate (CDI)	71,400	82,832	-	(11,170)	(11,170)	(11,170)

c. *Policy for use, goals and strategies of the derivative financial instruments*

The Bank policy is to eliminate part of the market risk, avoiding assuming positions exposed to fluctuations in the exchange rates and operating only instruments that enable the risk control. The derivative contract is represented by a swap operation, involving another financial institution, which is recorded at CETIP. This contract is used for hedging of part of the funding through the issue of foreign securities (fixed rate notes – Note 13).

The Bank does not expect to incur losses in these operations, beyond those already recorded in the financial statements.

d. *Estimated market values*

The fair values were estimated at the quarterly information date, based on "significant market information". The changes in the premises and variations in the financial market operations may significantly affect the estimates presented. The methods and premises adopted by the Bank to estimate the disclosure of the fair value of its derivatives, as of September 30, 2009 and June 30, 2009, are described below:

Foreign exchange swap: Estimated based on the market quotations for contracts with similar conditions. These contracts do not foresee interim payments before the maturity date. The Bank does not plan to liquidate these contracts before their maturity date.

6 Loans and allowance for doubtful loans

a. *Portfolio by type of loan*

	Bank		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Overdraft	730	551	730	551
Guaranteed account	24,703	14,119	24,703	14,119
Working capital	90,948	84,405	90,948	84,405
Personal credit installments **(a.1)**	1,034,543	959,998	1,055,468	1,023,324
Personal credit installments **(a.2)**	1,039	990	1,039	990
Financing – Vehicles	9,363	9,893	9,363	9,893
Financing – Others	9,403	6,878	9,403	6,878
Discounted securities	35	146	35	146
Cheque discounted	2	3	2	3
Payroll deduction credit card **(a.3)**	13,650	17,873	13,650	17,873
Total	1,184,416	1,093,866	1,205,341	1,158,152

(a.1) Refers to payroll loans.
(a.2) Refers to loans not related to payroll.
(a.3) Value of credit limit used for revolving credit format.

b. Portfolio by maturity, customer type and economic activity

	Bank						
		Installments not yet due					
	Installments overdue equal to or more than 15 days (b.1)	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Total	06/30/09
Industry	1,708	4,887	3,650	6,785	2,222	19,252	9,126
Commerce	698	2,730	5,867	3,828	-	13,123	10,175
Services	1,079	29,819	41,686	9,516	971	83,071	79,923
Individuals	122,002	104,102	279,088	423,397	140,381	1,068,970	994,642
Total – 09/30/09	125,487	141,538	330,291	443,526	143,574	1,184,416	1,093,866
Total – 06/30/09	110,912	129,442	282,499	429,333	141,680	1,093,866	

(b.1) It was classified as current asset. These amounts are represented by the total balance of the overdue installment.

	Consolidated						
		Installments not yet due					
	Installments overdue equal to or more than 15 days (b.1)	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Total	06/30/09
Industry	1,708	4,887	3,650	6,785	2,222	19,252	9,126
Commerce	698	2,730	5,867	3,828	-	13,123	10,175
Services	1,079	29,819	41,686	9,516	971	83,071	79,923
Individuals	135,479	101,178	279,088	433,769	140,381	1,089,895	1,058,958
Total – 09/30/09	138,964	138,614	330,291	453,898	143,574	1,205,341	1,158,182
Total – 06/30/09	125,575	137,481	290,540	462,906	141,680	1,158,182	

(b.1) It was classified as current asset. These amounts are represented by the total balance of the overdue installment.

c. *Portfolio by risk grade*

Bank							
				September 30, 2009		June 30, 2009	
Level	Status	Days overdue	% of provision	Total	Provision	Total	Provision
AA	Current		0,00%	-	-	-	-
A	Current	(c.1)	0,50%	938,039	4,690	864,750	4,324
B	Current		1,00%	87,468	875	78,240	782
	Overdue	15 to 30	1,00%	40,875	409	37,425	374
C	Current		3,00%	28,509	855	35,294	1,059
	Overdue	31 to 60	3,00%	20,217	606	20,435	613
D	Current		10,00%	995	100	1,199	120
	Overdue	61 to 90	10,00%	13,738	1,374	12,243	1,224
E	Current		30,00%	696	209	803	241
	Overdue	91 to 120	30,00%	8,230	2,468	8,418	2,525
F	Current		50,00%	740	370	532	266
	Overdue	121 to 150	50,00%	8,189	4,094	6,318	3,159
G	Current		70,00%	600	420	341	239
	Overdue	151 to 180	70,00%	6,815	4,770	4,502	3,151
H	Current		100,00%	1,882	1,882	1,795	1,795
	Overdue	More than 180	(c.2) 100,00%	27,423	27,423	21,571	21,571
	Total			1,184,416	50,545	1,093,866	41,443

(c.1) It includes amounts overdue up to 14 days.

(c.2) It includes a provision over the total operations carried out inappropriately, involving the agreement with the City Hall of Itaperaçu in the amount of R$ 927.

Consolidated

				September 30, 2009		June 30, 2009	
Level	Status	Days Overdue	% of provision	Total	Provision	Total	Provision
AA	Current		0,00%	-	-	-	-
A	Current	(c.1)	0,50%	945,487	4,531	908,530	4,349
B	Current		1,00%	87,468	874	79,051	790
	Overdue	15 to 30	1,00%	42,927	429	40,487	405
C	Current		3,00%	28,509	855	35,834	1,075
	Overdue	31 to 60	3,00%	22,198	665	22,067	662
D	Current		10,00%	995	99	1,555	155
	Overdue	61 to 90	10,00%	14,608	1,460	13,289	1,329
E	Current		30,00%	696	208	1,289	387
	Overdue	91 to 120	30,00%	9,000	2,700	9,327	2,798
F	Current		50,00%	740	370	839	419
	Overdue	121 to 150	50,00%	8,889	4,444	7,102	3,551
G	Current		70,00%	600	420	736	515
	Overdue	151 to 180	70,00%	7,373	5,330	5,165	3,615
H	Current		100,00%	1,882	1,882	4,773	4,773
	Overdue	More than 180	(c.2) 100,00%	33,969	33,969	28,138	28,138
	Total			1,205,341	58,236	1,158,182	52,961

(c.1) It includes amounts overdue up to 14 days.

(c.2) It includes a provision over the total operations carried out inappropriately, involving the agreement with the City Hall of Itaperaçu in the amount of R$ 927.

d. *Movements on allowance for doubtful loans*

	Bank		Consolidated	
	3rd quarter 2009	2nd quarter 2009	3rd quarter 2009	2nd quarter 2009
Beginning balance	41,443	39,775	52,961	51,895
Charged in the quarter	18,736	11,957	18,525	10,212
Written off	(9,634)	(10,289)	(13,250)	(9,146)
Ending balance	50,545	41,443	58,236	52,961
Losses recovered	1,218	1,705	1,218	1,705

The allowance for doubtful loans related to credit assignment agreements under co-obligation in the amount of R$ 4,095 (R$ 3,601 as of June 30, 2009) is represented in "Other liabilities – other".

e. *Concentration of loans and credit risk*

	Bank		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Ten largest customers	76,668	78,583	76,668	78,583
Percentage of the loan portfolio	6.47%	7.18%	6.36%	6.79%
Next fifty largest customers	56,052	43,551	56,052	43.551
Percentage of the loan portfolio	4.73%	3.98%	4.65%	3.76%

f. *Renegotiated loans*

The balance of refinanced and renegotiated loans at September 30, 2009 was R$ 578,911 (R$ 557,279 in June 30, 2009). The amount presented was calculated based on the criteria described in BACEN Resolution 2682/99, which considers as renegotiation any agreement or change in the terms of maturity and payment conditions originally agreed to.

g. *Credit assignment*

No credit with co-obligation were assigned in the third quarter. The outstanding balance of these assignments at September 30, 2009 was R$ 142,442 (R$ 180,968 at June 30, 2009).

No credits without co-obligation were assigned to the FIDCs during the third quarter of 2009. In Consolidated, the portfolio assigned to the FIDCs is recorded in loans and the respective income is recognized on a daily pro rata basis until the balance sheet date.

Cooperation agreements were signed with other financial institutions, for assigning credits for different periods, for a maximum value of up to R$ 880,000. The balance available and not used from these agreements at September 30, 2009 was R$ 590,786 (R$ 545,016 in June 30, 2009).

h. *Investment fund in credit rights*

On August 18, 2009 FIDC Paraná Banco I was closed, and its portfolio of 6,150 payroll loan operations was repurchased by the Bank at the book values, for the amount of R$ 3,526. These operations were classified as risk level H, by the fund, and consequently an allowance for loan losses of R$ 3,526 was recorded. A provision was recorded by the Bank as a consequence of these operations in the amount of R$ 6,400, including the effect of considering all the installments and active contracts in the worst rating.

7 Insurance and reinsurance operation receivables – Consolidated

	09/30/09	06/30/09
Premiums receivable (a)		
Financial guarantee	1,553	2,065
Guarantee of private obligations	7,303	13,130
Guarantee of public obligations	36,667	57,640
Guarantee of public concessions	4,652	17,229
Judicial guarantee	42,416	42,327
Domestic credit – Corporate risk	370	1,515
Retrocession	1	1
Sub-total	92,962	133,907
Profit sharing in reinsurance policies ceded to IRB	9,211	9,465
Other operating credits	11,322	9,206
Total	113,495	152,078
Current	80,352	117,619
Non-current assets	33,143	34,959

(a) Premiums receivable includes directly issued insurance and reinsurance premiums, accepted coinsurance as well as retrocession operations.

8 Other receivables - other

Current

	Bank		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Prepaid income and social contribution taxes	10,505	6,912	22,338	14,715
Deferred income and social contribution taxes	3,913	3,493	4,056	3,663
Other deferred taxes	-	-	16	19
Purchases billable – Mastercard (a)	1,423	3,491	1,423	3,491
Accredited agencies (b)	2,113	2,389	2,113	2,389
Taxes recoverable	2,229	2,208	3,335	3,314
Other receivables from other institutions	152	196	152	196
Other	1,283	949	1,791	1,398
Total	21,618	19,638	35,224	29,185

(a) Refers to amounts receivable, by invoice issued to the credit card holders. This amount represents the total of the invoices in the month, the balance of which can be paid in full or to the minimum amount, in which case it is financed with revolving credit.

(b) Refers to amounts passed through by accredited agencies, corresponding to collection of loan installments, to be offset against outstanding amounts recorded in the current liabilities.

Non-current

	Bank		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Deferred income and social contribution taxes	15,389	13,700	15,515	13,869
Judicial deposits	1,557	1,622	1,557	1,662
Other deferred taxes	-	-	15	20
Other	-	-	106	106
Total	16,946	15,322	17,193	15,617

9 Prepaid expenses

Prepayments refer to commission on financial activities, deferred insurance sales expenses and insurance and retrocession expenses. The latter refer to the active PPNG, and the other amounts refer to prepayments made for commission on financial activities at Paraná Banco S.A and insurance sales, which are being appropriate over the remaining periods of the contracts.
The amounts registered by Paraná Banco S.A and its subsidiaries, at September 30, 2009 are as follows:

	September 30, 2009			June 30, 2009
	Total	Current	Non current assets	Total
Commission on financial activities	68.417	34.503	33.914	64.371
Total - Bank	**68,417**	**34,503**	**33,914**	**64,371**

	September 30, 2009			June 30, 2009
	Total	Current	Non current assets	Total
Commission on financial activities	69.549	35.074	34.475	67.427
Deferred insurance sales expenses	78,728	41,583	37,145	77,641
Deferred insurance and retrocession expenses	366,149	188,834	177,315	363,056
Total - Consolidated	**514,426**	**265,491**	**248,935**	**508,124**

10 Subsidiaries – Domestic

10 Subsidiaries – Domestic

	Bank						
	Tresor Holdings S.A. (a)	Paraná Administradora de Consórcio Ltda. (b)	J. Malucelli Vida e Previdência S.A. (c)	Porto de Cima Holding Ltda. (d)	J. Malucelli Agenciamento e Serviços Ltda. (e)	J. Malucelli Participações em Seguros e Resseguros S.A. (f)	Total
September 30, 2009							
Information of subsidiaries							
Number of outstanding quotas/shares (in thousands)	39	13,212	16,000	102,815	5	70,000	
Shareholder's equity	15,659	281	18,700	136,798	(39)	83,564	
Net income for the quarter	947	3	389	5,369	(73)	1,218	
Information of investment in subsidiaries							
Number of quotas/shares owned (in thousands)	39	13,211	15,999	102,815	5	70,000	
Percentage of interes	100.00%	99.99%	99.99%	100.00%	99.98%	100.00%	
Movement of balances							
Beginning balances	14,712	278	18,309	131,429	34	82,346	247,108
Equity in operating earnings	947	3	389	5,369	(73)	1,218	7,853
Balances in investment	15,659	281	18,698	136,798	(39)	83,564	254,961
Balances with the Bank							
Assets	10	387	15	1	277	38	
Income	-	9	-	-	2,680	-	
Main accounts in balance sheet and statement of income							
Assets							
Cash and cash equivalents	10	2	15	1	328	40	
Short-term investments	-	387	22,124	-	-	-	
Investment in subsidiary company	15,383	-	-	87,171	-	83,564	
Investment in subsidiary company - goodwill	-	-	-	49,625	-	-	
Other	311	17	1,756	-	2,110	-	
Liabilities	(45)	(127)	(5,195)	-	2,537	(44)	
Shareholders' equity	15,659	281	18,700	136,798	(39)	83,564	
Income	947	9	12,341	5,369	2,716	1,218	
Expenses	-	(6)	(11,952)	-	(2,789)	-	

(a) Holding company of an investment of 15% in the ordinary shares of the subsidiary company J.Malucelli Seguradora S.A. The calculation of equity in income in the Insurance Company was made based on the financial statements at September 30, 2009, with the main balances being: (1) volume of shares held - 1,264,140 ordinary shares; (2) shareholder's equity - R$ 102,554; (3) net profit for the quarter - R$ 6,316; (4) value of investments - R$ 14,659; (5) equity income of investments - R$ 947.

(b) Investment acquired on April 4, 2006; the company is inactive.

(c) Company incorporated on October 17, 2006, and homologated, according to Ruling 2.731 of August 13, 2007, from the Superintendency for Private Insurance - SUSEP. The company is at the pre-operational stage.

(d) Holding company of an investment of 85% of the ordinary shares of the subsidiary J.Malucelli Seguradora S.A. The calculation of equity in net income in the Insurance Company was made based on the financial statements at September 30, 2009, with the main balances being: (1) volume of shares held - 7,163,458 ordinary shares; (2) shareholder's equity - R$ 102,554; (3) net profit for the quarter - R$ 6,316; (4) value of investments - R$ 136,796; (5) equity income of investments - R$ 5,369. The goodwill calculated on the purchase of this investments refers to the difference between the value from issuing the Bank's shares arising from exercising the subscription from the first and second bonus exercised by Advent International on August 29, 2007 and January 15, 2008, respectively, and the book value of the Insurance Company's shares at July 31, 2007 and December 31, 2007, respectively.

(e) Company purchase on December 28, 2007. This company operates in the implementation of the franchised correspondents of the Bank. This investments was presented in the "Investment - provision for losses".

(f) Holding company of an investment in the indirect subsidiary company J.Malucelli Resseguradora S.A.This company started its operations on June 2, 2008.

06.01 – NOTES TO THE FINANCIAL STATEMENTS

10 Subsidiaries - Domestic

	Bank						
	Tresor Holdings S.A. (a)	Paraná Administradora de Consórcio Ltda. (b)	J. Malucelli Vida e Previdência S.A. (c)	Porto de Cima Holding Ltda. (d)	J. Malucelli Agenciamento e Serviços Ltda. (e)	J. Malucelli Participações em Seguros e Resseguros S.A. (f)	Total
June 30, 2009							
Information of subsidiaries							
Number of outstanding quotas/shares (in thousands)	39	13,212	16,000	102,815	5	70,000	
Shareholders' equity	14,712	278	18,311	131,429	34	82,346	
Net income for the quarter	933	3	412	5,292	(190)	4,316	
Information of investment in subsidiaries							
Number of quotas/shares owned (in thousands)	39	13,211	15,999	102,815	5	70,000	
Percentage of interest	100.00%	99.99%	99.99%	100.00%	99.98%	100.00%	
Movement of balances							
Beginning balances	13,779	275	17,897	126,137	224	78,030	236,342
Equity in operating earnings	933	3	412	5,292	(190)	4,316	10,766
Balances in investment	14,712	278	18,309	131,429	34	82,346	247,108
Balances with the Bank							
Assets	10	384	14	1	162	92	
Income	-	9	-	-	2,836	-	
Main accounts in balance sheet and statement of income							
Assets							
Cash and cash equivalents	10	3	14	1	229	92	
Short-term investments	-	384	20,979	-	-	-	
Investment in subsidiary company	14,436	-	-	81,803	-	82,347	
Investment in subsidiary company - goodwill	-	-	-	49,625	-	-	
Other	311	17	1,130	-	2,092	-	
Liabilities	(45)	(127)	(3,812)	-	(2,287)	(93)	
Shareholders' equity	14,712	278	18,311	131,429	34	82,346	
Income	933	9	11,366	5,292	2,764	4,316	
Expenses	-	(6)	(10,954)	-	(2,954)	-	

(a) Holding company of an investment of 15% in the ordinary shares of the subsidiary company J Malucelli Seguradora S.A. The calculation of equity in income in the Insurance Company was made based on the financial statements at June 30, 2009, with the main balances being: (1) volume of shares held - 1,264,140 ordinary shares; (2) shareholders' equity - R$ 96,238; (3) net profit for the quarter - R$ 6,225; (4) value of investment - R$ 14,436; (5) equity in income of investment - R$ 933.

(b) Investment acquired on April 4, 2006; the company is inactive.

(c) Company incorporated on October 17, 2006, and homologated, according to Ruling 2.731 of August 13, 2007, from the Superintendency for Private Insurance - SUSEP. The company is at the pre-operational stage.

(d) Holding company of an investment of 85% of the ordinary shares of the subsidary company J Malucelli Seguradora S.A. The calculation of equity in net income in the Insurance Company was made based on the financial statements at June 30, 2009, with the main balances being: (1) volume of shares held - 7,163,458 ordinary shares; (2) shareholders' equity - R$ 96,238; (3) net profit for the quarter - R$ 6,225; (4) value of investment - R$ 131,428; (5) equity in income of investment - R$ 5,292. The goodwill calculated on the purchase of this investment refers to the difference between the value from issuing the Bank's shares arising from exercising the subscription from the first and second bonus, exercised by Advent International on August 29, 2007 and January 15, 2008, respectively, and the book value of the Insurance Company's shares at July 31, 2007 and December 31, 2007, respectively.

(e) Company purchased on December 28, 2007. This company operates in the implementation of the franchised correspondents of the Bank. This investment was presented in the "Investment - provision for losses".

(f) Holding company of an investment in the indirect subsidiary company J Malucelli Resseguradora S.A. This company started its operations on June 2, 2008.

11 Deferred charges and Intangible assets

Deferred charges		**Bank and Consolidated**			
		September 30, 2009		**June 30, 2009**	
	Annual rate of amortization (%)	**Cost of acquisition**	**Accumulated amortization**	**Cost of acquisition**	**Accumulated amortization**
Leasehold improvements	20	90	(77)	90	(75)
Goodwill	20	49,900	(7,485)	49,900	(4,990)
Provision for maintenance of the equity's integrity	20	(49,900)	7,485	(49,900)	(4,990)
Other deferred expenses	20	924	(267)	924	(220)
Total – Bank		1,014	(344)	1,014	(295)
Leasehold improvements	20	168	(147)	168	(145)
Other deferred expenses	20	19	(5)	19	(5)
Total – Consolidated		187	(152)	187	150

Intangible assets

		Consolidated			
		September 30, 2009		June 30, 2009	
	Annual rate of amortization (%)	Cost of acquisition	Accumulated amortization	Cost of acquisition	Accumulated amortization
Goodwill on the acquisition of subsidiaries **(a)**	20	142,023	(40,059)	142,023	(35,447)
Provision for maintenance of the equity's integrity	20	(77,949)	28,981	(77,949)	25,091
Expenditures with the development of computer equipment	20	1,446	(668)	1,446	(607)
Total		65,520	(11,746)	65,520	(10,963)

(a) It includes the goodwill on the merger of Fors Holdings S.A. in the amount of R$ 49,900, which was fully provisioned for on the date of the merger (note 24.g). The expenditure with amortization of the goodwill in the third quarter of 2009 was R$ 2,495 and is presented in "Other operating expenses".

12 Deposits

The breakdown by maturity term follows:

Bank

	Demand and other deposits		Interbank deposits		Time deposits	
Maturity	09/30/09 (b)	06/30/09 (b)	09/30/09	06/30/09	09/30/09 (c)	09/30/09
On demand	5,848	11,632	-	-	-	-
Up to 90 days	-	-	81,847	38,176	196,374	133,822
From 91 to 360 days	-	-	65,554	-	204,118	176,467
More than 360 days **(a)**	-	-	-	-	349,313	364,094
Total	5,848	11,632	147,401	38,176	749,805	674,383

Consolidated

	Demand and other deposits		Interbank deposits		Time deposits	
Maturity	**09/30/09 (b)**	**06/30/09 (b)**	**09/30/09**	**06/30/09**	**09/30/09 (c)(d)**	**06/30/09 (d)**
On demand	4,571	11,164	-	-	-	-
Up to 90 days	-	-	81,847	38,176	196,374	133,822
From 91 to 360 days	-	-	65,554	-	221,296	206.051
More than 360 days (a)	-	-	-	-	365,812	396,018
Total	4,571	11,164	147,401	38,176	783,482	735,891

(a) As of September 30, 2009, the time deposits, within the maturity term of over 360 days, were obtained at rates ranging between 9.01% to 16.60% (10.60% to 16.60% as of June 30, 2009) per annum in the fixed transactions and 98% to 113% (98% to 113% as of June 30, 2009) of the variation recorded by the Interbank Deposit Certificates in floating transactions.

(b) Disclosed as "without maturity", independent of the regular deposits flow.

(c) It includes deposits with special guarantee, Resolution 3692 issued on March 26, 2009, amounting R$ 64,288 (R$ 62,771 as of June 30, 2009).

(d) It includes amount captured through FIDC's in the amount of R$ 34,064 (R$ 61,892 as of June 30, 2009).

13 Money market repurchase commitments (Bank and Consolidated)

At September 30, 2009, the operations refer to repurchase operations to settle, tied to federal government bonds, in the amount of R$ 13,998 (R$ 910 at June 30, 2009), maturing by October 1, 2009.

14 Acceptances and endorsements (Bank and Consolidated)

Refers to obligations on securities issued abroad obtained by issuing fixed rate notes to the amount of USD 35,000 thousand as of September 30, 2009 (USD 35,000 thousand as of June 30, 2009), as follows:

Tranch (In thousands of US$)	Maturity	Annual interest rate	09/30/09	06/30/09
35,000	08/08/2011	7.7500%	63,446	70,290
Total			63,446	70,290
Current			-	-
Non-current liabilities			63,446	70,290

The fixed rate notes are protected by the derivatives instruments of the Bank, composed by 4 swap's contracts (note 5b) with the assets national amount updated of R$ 68,940 and the liability of R$ 76,455 (R$ 71,662 and R$ 82,832 as of June, 30, 2009).

15 Insurance and reinsurance operation liabilities - Consolidated

	09/30/09	06/30/09
Operations with insurers	1,642	1,069
Operations with reinsurers	63,499	70,473
Commission payable on premiums issued	10,670	14,169
Deferred commission income	116,696	113,781
Other	4,458	3,473
Total	196,965	202,965
Current	118,651	124,677
Non-current liabilities	78,314	78,288

16 Technical provisions – Consolidated

	September 30, 2009			
	Unearned premium provision	Outstanding claims provision	Provision for Claims Incurred but Not Reported	Total
Class of business				
Financial guarantee	2,361	-	-	2,361
Guarantee of private obligations	76,720	13,233	-	89,953
Guarantee of public obligations	173,523	6,118	-	179,641
Guarantee of public concessions	32,765	-	-	32,765
Judicial guarantee	147,605	121	-	147,726
Domestic credit – Corporate risk	812	-	158	970
DPVAT	-	21,073	1,178	22,251
Retrocession	-	592	-	592
Sub-total	433,786	41,137	1,336	476,259
Other provisions				1,818
Total				478,077
Current				269,098
Non-current liabilities				208,979

	June 30, 2009			
	Unearned premium provision	Outstanding claims provision	Provision for Claims Incurred but Not Reported	Total
Class of business				
Financial guarantee	3,237	-	-	3,237
Guarantee of private obligations	80,508	4,020	-	84,528
Guarantee of public obligations	185,334	5,273	-	190,607
Guarantee of public concessions	42,650	-	-	42,650
Judicial guarantee	109,740	137	-	109,877
Domestic credit – Corporate risk	1,600	-	156	1,756
DPVAT	-	18,943	1,109	20,052
Retrocession	-	625	8	633
Sub-total	423,069	28,998	1,273	453,340
Other provisions				2,039
Total				455,379
Current				253,316
Non-current liabilities				202,063

17 Other liabilities – other

	Bank		Consolidated	
Current	**09/30/09**	**06/30/09**	**09/30/09**	**06/30/09**
Provision for payments related to other administrative expenses	4,611	4,423	5,365	4,899
Repasses to assignees (a)	64,200	61,544	64,200	61,544
Accounts payable – credit card (b)	1,592	3,294	1,592	3,294
Provision for return of fees on anticipated settlement of contracts (c)	4,250	4,383	4,250	4,383
Allowance for doubtful loans assigned under Co-obligation	2,356	1,945	2,356	1,945
Other creditors – domestic	13,187	8,125	14,861	10,095
Other	83	70	83	70
Total	90,279	83,784	92,707	86,230

(a) Refers to loan amounts paid by customers, where the transaction to be written off in the loan portfolio has not yet been identified, and the amounts to be passed through to the assignees, referring to assigned credit, which is collected by the Bank.

(b) Refers to amounts payable to storekeepers.

(c) Refers to the reimbursement of fees charged to clients from credit contracts, for which there were no provisions for charges.

	Bank		Consolidated	
Non-current	**09/30/09**	**06/30/09**	**09/30/09**	**06/30/09**
Provision for civil contingencies	2,678	3,928	2,678	3,928
Provision for labor contingencies	2,102	2,397	2,225	2,520
Allowance for doubtful loans assigned under Co-obligation	1,739	1,656	1,739	1,656
Advances from customers	-	-	1,451	1,588
Consortium funds not sought	-	-	125	125
Consortium funds not sought	-	-	42	90
Total	6,519	7,981	8,260	9,907

18 Provision for contingencies (Bank e Consolidated)

The Bank and its subsidiaries are part of judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.

a. Composition of provisions

Based on information from its legal advisors, an analysis of the pending legal proceedings, and previous experience with regards to amounts claimed at labor courts, management recorded provisions for amounts considered sufficient to cover losses from the current actions, as follows:

	Bank		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Civil	2,678	3,928	2,678	3,928
Civil – Insurance claims	-	-	1,349	2,896
Labor	2,102	2,397	2,225	2,520
Tax	2,021	1,986	2,021	1,986
Total	6,801	8,311	8,273	11,330

b. Movements in the provisions

	September 30, 2009				
	Balances as of July 1	Constitution	Reversals	Paid	Balances as of September 30
Civil	3,928	481	(1,375)	(356)	2,678
Labor	2,397	209	(497)	(7)	2,102
Tax	1,986	35	-	-	2,021
Total – Bank	8,311	725	(1,872)	(363)	6,801

	June 30, 2009				
	Balances as of April 1	Constitution	Reversals	Paid	Balances as of June 30
Civil	4,432	351	(511)	(344)	3,928
Labor	1,637	760	-	-	2,397
Tax	1,947	39	-	-	1,986
Total – Bank	8,016	1,150	(511)	(344)	8,311

	September 30, 2009				
	Balances as of July 1	Constitution	Reversals	Paid	Balances as of September 30
Civil	3,928	481	(1,375)	(356)	2,678
Civil – Insured claims	2,896	-	(1,547)	-	1,349
Labor	2,520	209	(497)	(7)	2,225
Tax	1,986	35	-	-	2,021
Total – Consolidated	11,330	725	(3,419)	(363)	8,273

	June 30, 2009				
	Balances as of April 1	Constitution	Reversals	Paid	Balances as of June 30
Civil	4,432	351	(511)	(344)	3,928
Civil – Insured claims	2,833	63	-	-	2,896
Labor	1,760	760	-	-	2,520
Tax	1,947	39	-	-	1,986
Total – Consolidated	10,972	1,213	(511)	(344)	11,330

c. *Asset and liabilities contingencies*

There are other proceedings, as of September 30, 2009, assessed by the Bank's legal counsels as being a possible or remote risk relating to labor and civil claims to the amount of R$ 914 and R$ 11,205 (R$ 1,327 and R$ 14,342 as of June 30, 2009). For these contingencies provisions are constituted based on the history of losses independent of the risk classification, which amounted R$ 891 and R$ 1,808 (R$ 1,388 and R$ 2,785 as of June 30, 2009).

The Bank has other contingencies, as of September 30, 2009, involving tax issues to the estimated amount of R$ 2,701 (R$ 2,644 as of June 30, 2009) rated as a possible or remote risk, for which no provision for losses has been recorded in the financial statements. The main proceedings are as follows:

- Social contribution: Proceeding contesting the tax assessment issued to collect the social contribution on the IPC 90 monetary restatement difference, a risk management estimates at R$ 1,192 (R$ 1,167 as of June 30, 2009).

- INSS on freelance workers: judicial proceeding to dismiss the assessment notice referring to the demand for social security contributions resulting from workers being deemed not to be freelance. Bank management estimates the risk involved to be R$ 1,474 (R$ 1,442 as of June 30, 2009).

No contingency gains were recorded in the quarters ended September 30, 2009 and June 30, 2009.

19 Income and social contribution taxes

a. *Current quarter tax charge*

	Bank		Consolidated	
	Quarter ended September 30			
	2009	2008	2009	2008
Net income before taxes on income	24,286	22,135	27,249	25,662
Income and social contribution taxes charge at the nominal rates of 25% and 15%, respectively	(9,714)	(8,854)	(10,900)	(10,265)
Permanent deductions (additions)	7,212	6,260	4,536	3,716
Equity share in earnings of subsidiaries and associated company	3,141	2,490	-	-
Interest on own capital	3,019	2,109	3,019	2,109
Goodwill amortization	998	-	1,287	289
¤ Other	54	1,661	230	1,318
Income and social contribution taxes charged to income for the quarter	(2,502)	(2,594)	(6,364)	6,549

b. *Income and social contribution taxes reported in the statement of income*

	Bank		Consolidated	
	Quarter ended September 30			
	2009	2008	2009	2008
Deferred taxes – Tax credits taken/realized on timing differences	2,278	1,702	2,719	1048
Current taxes – Income and social contribution taxes payable	(4,780)	(4,296)	(9,083)	(7,597)
Total	(2,502)	(2,594)	(6,364)	(6,549)

c. *Origin of deferred taxes*

	Bank		
	September 30, 2009		
Description	**Balances as of July 1**	**Constitution/ (realization)**	**Balances as of September 30**
Deferred income and social contribution taxes – assets			
On allowance for doubtful loans	14,595	2,731	17,326
On provision for tax, labor and civil contingencies	2,531	(619)	1,912
On market value adjustments of securities	68	(4)	64
	17,194	2,108	19,302
Deferred income and social contribution taxes – liabilities			
On deferred commission	546	(166)	380
	546	(166)	380

	Consolidated		
	September 30, 2009		
Description	**Balances as of July 1**	**Constitution/ (realization)**	**Balances as of September 30**
Deferred income and social contribution taxes – assets			
On unearned income arising from transactions with the FIDCs (*)	582	(328)	254
On allowance for doubtful loans	14,595	2,731	17,326
On provision for tax, labor and civil contingencies	2,546	(619)	1,927
On market value adjustments of securities	68	(4)	64
	17,791	1,780	19,571
Deferred income and social contribution taxes – liabilities			
On deferred commission	1,769	(935)	834
	1,769	(935)	834

* On August 18, 2009 the FIDC Paraná Banco I was closed. The balance of deferred income tax and social contribution liability was R$ 259.

	Bank		
	June 30, 2009		
Description	**Balances as of April 1**	**Constitution/ (realization)**	**Balances as of June 30**
Deferred income and social contribution taxes – assets			
On allowance for doubtful loans	13,546	1,049	14,595
On provision for tax, labor and civil contingencies	2,428	103	2,531
On market value adjustments of securities	62	6	68
	16,036	1,158	17,194
Deferred income and social contribution taxes – liabilities			
On deferred commission	755	(209)	546
	755	(209)	546

	Consolidated		
	June 30, 2009		
Description	**Balances as of April 1**	**Constitution/ (realization)**	**Balances as of June 30**
Deferred income and social contribution taxes – assets			
On unearned income arising from transactions with the FIDCs	1,418	(1,095)	323
On allowance for doubtful loans	13,546	1,049	14,595
On provision for tax, labor and civil contingencies	2,428	118	2,546
On market value adjustments of securities	62	6	68
	17,454	63	17,532
Deferred income and social contribution taxes – liabilities			
On deferred commission	3,173	(1,404)	1,769
	3,173	(1,404)	1,769

d. Projected realization of deferred tax assets on timing differences

Bank

	September 30, 2009		
	Income tax	Social contribution	Total
2009	2,445	1,465	3,910
2010	2,405	1,443	3,848
2011	2,405	1,443	3,848
2012	2,405	1,443	3,848
2013	2,405	1,443	3,848
Total	12,065	7,237	19,302

	June 30, 2009		
	Income tax	Social contribution	Total
2009	2,184	1,310	3,494
2010	2,141	1,285	3,426
2011	2,141	1,284	3,425
2012	2,141	1,284	3,425
2013	2,140	1,284	3,424
Total	10,747	6,447	17,194

The present value of the deferred tax assets, considering the average interbank rates is R$ 13,429 (R$ 11,964 as of June 30, 2009).

Consolidated

	September 30, 2009		
	Income tax	Social contribution	Total
2009	2,519	1,511	4,030
2010	2,494	1,496	3,990
2011	2,407	1,444	3,851
2012	2,407	1,444	3,851
2013	2,406	1,443	3,849
Total	12,233	7,338	19,571

	June 30, 2009		
	Income tax	Social contribution	Total
2009	2,265	1,391	3,656
2010	2,225	1,377	3,602
2011	2,141	1,284	3,425
2012	2,141	1,284	3,425
2013	2,140	1,284	3,424
Total	10,912	6,620	17,532

The present value of the deferred tax assets, considering the average interbank rates, net of the tax impact is R$ 13,649 (R$ 12,231 as of June 30, 2009).

e. *Unrecognized deferred tax assets (Bank and Consolidated)*

The Bank and its subsidiaries have no tax credits which were not recorded in the financial statements as of September 30, 2009 and June 30, 2009.

20 Shareholders' equity

a. *Capital*

The Bank's fully subscribed and paid in share capital consists of 56,724,976 (56,724,976 as of June 30, 2009) common nominative shares and 33,888,687 preferred shares (33,222,396 as of June 30, 2009), held by shareholders domiciled in Brazil, and 5,972,769 preferred shares (6,639,060 as of June 30, 2009), held by shareholders domiciled abroad; all shares with no nominal value.

b. *Treasury shares*

The Bank holds in Treasury a total of 1,178,300 preferred shares from its own issue (356,400 as of June 30, 2009), purchased on the market, for the amount of R$ 8,531 (R$ 2,168 as of June 30, 2009) for future sale and/or cancellation. The market value of these shares, at September 30, 2009, was R$ 11,488 (R$ 2,527 as of June 30, 2009).

In the Management Council Meeting, held on October 13, 2009, the counselors approved the closure of the program of repurchase of shares of own issuance, which started on May 27, 2009, by means of which 2,756,400 preferred shares were acquired, issued by the Bank, as well as the cancellation of these preferred shares, with no reduction of the amount of the capital, based on the absorption of R$ 23,734 in the account of Profit Reserve – Reserve for Integrity of Shareholders' Equity.

c. *Capital reserve*

Refers to the restatement of the CETIP financial securities, which is conducted based on information provided by this entity.

d. *Earnings reserves*

The legal reserve is formed by 5% of the net income for the year, limited to 20% of the capital.

The statutory reserve refers to the reserve to complement the shareholders' equity, the objective of which is to guarantee funds to comply with regulatory and operational requirements related to the value of the Bank and its subsidiaries' shareholders' equity, which can be converted to capital through a decision during a Board of Directors Meeting, observing the limit for authorized capital, and observing the proposal of the Board of Directors, and can consist of up to 100% of the net profit remaining after the allocations to the legal reserve and the minimum compulsory dividend, but can not exceed the value of capital.

The Board of Directors, in accordance with the statutory provisions, performs the proposal for destination of the net profit of the year after the constitution of the legal reserve and the performance of the minimum mandatory payment of dividends, which is taken to the approval of the Ordinary General Meeting.

e. Dividends and interest on own capital

Shareholders are assured minimum dividends of 25% of the net income for the year, adjusted pursuant to corporation law. The interest on shareholders' equity is calculated according to the criteria specified by existing tax legislation. The accounting records comply with the accounting guidelines issued by the Brazilian Central Bank, where the expense incurred is reclassified from the statement of income to retained earnings, in order to prepare and publish the financial statements in accordance with Circular 2.739, article 3, issued by the Brazilian Central Bank on February 19, 1997. An amount of R$ 7,547 of interest on own capital were accrued related to the third quarter which will be paid in October 2009. This interest lowered the tax charges recorded in the statement of income by R$ 3,019 (R$ 2,109 as of September 30, 2008).

21 Related party transactions

Bank

	09/30/2009	3rd quarter 2009	
Description	**Liabilities**	**Income**	**Expenses**
Demand deposits	1,436	-	-
Time deposits	84,722	-	2,024
Management fees (a)	-	-	538
Services rendered	-	-	2,680
Reimbursement of income/expenses	-	32	428
Rent	-	27	-

Bank

	06/30/2009	2nd quarter 2009	
Description	**Liabilities**	**Income**	**Expenses**
Demand deposits	955	-	-
Time deposits	92,938	-	2,741
Management fees (a)	-	-	875
Services rendered	-	-	2,716
Reimbursement of income/expenses	-	50	431
Rent	-	35	-

(a) Refers to the remuneration of Directors and the Board of Directors of the Bank. The Administrative Council is not paid.

Consolidated

Description	09/30/2009 Liabilities	3th quarter 2009 Income	3th quarter 2009 Expenses
Demand deposits	159	-	-
Time deposits	84,335	-	2,015
Management fees (a)	-	-	694
Reimbursement of income/expenses	-	-	428
Rent	-	5	-

Consolidated

Description	06/30/2009 (Assets) Liabilities	2nd quarter 2009 Income	2nd quarter 2009 Expenses
Demand deposits	487	-	-
Time deposits	92,554	-	2,741
Management fees (a)	-	-	1,025
Reimbursement of income/expenses	-	-	431
Rent	-	5	-

(a) Refers to the remuneration of Directors and the Board of Directors of the Bank. The Administrative Council is not paid.

The time deposits and other transactions with related parties are executed on an arm's-length basis.

The related party transactions are reported according to the Deliberation 560, an December 11, 2008, of CVM.

These operation are performed in values, time and average rates of the market, in force in the respective date, and in mutualism conditions.

These operations between the companies included in the consolidation were eliminated from the financial statements and consider the lack of risk.

The related parties not consolidated are:

- The J.Malucelli Holding, main controller of Paraná Banco.
- The J.Malucelli Administração e Participação and its non financial related, mainly J.Malucelli Construtoras de Obras, J.Malucelli Energia, J.Malucelli Rental, J.Malucelli Equipamentos, J.Malucelli Ambiental, J.Malucelli Administradora de Bens, J.Malucelli Consultoria, J.Malucelli Gerenciadora de Projetos, Porto de Cima Concessões and Porto de Cima Incorporações Imobiliárias.

22 Other administrative expenses

	Bank		Consolidated	
	3th quarter		3th quarter	
	2009	2008	2009	2008
Commissions	(4,779)	(270)	(13,589)	(6,290)
Specialized technical services	(5,326)	(6,969)	(6,407)	(9,160)
Data processing	(859)	(1,240)	(961)	(1,518)
Advertising and marketing	(254)	(374)	(416)	(585)
Graphic services	(90)	(252)	(92)	(282)
Financial system service expenses	(290)	(261)	(332)	(592)
Communications	(166)	(563)	(294)	(792)
Transportation	(67)	(98)	(438)	(188)
Rent	(98)	(105)	(489)	(474)
Special offers and public relations	(23)	(194)	(23)	(221)
Maintenance material	(95)	(176)	(149)	(552)
Stationary	(44)	(64)	(71)	(260)
Publishing	(168)	(117)	(193)	(176)
Expenses with agreement fees	(618)	(663)	(618)	(663)
Travel	(138)	(243)	(420)	(789)
Administrative expenses – DPVAT	-	-	(1,314)	(337)
Other	(1,016)	(1,113)	(1,212)	(1,507)
Total	(14,031)	(12,702)	(27,018)	(24,386)

23 Other operating income and expenses

	Bank		Consolidated	
	3th quarter		3th quarter	
	2009	2008	2009	2008
Other income				
Fee charged on early payment (a)	713	1,740	713	1,740
Foreign exchange variation	-	863	-	863
Reversal of provision PMIPL (note 10)	2,495	-	2,495	-
Recovery of expenses and charges	592	97	619	74
Reversal of provision for labor and civil contingencies	1,949	766	1,949	766
Interest for insurance policies	-	-	1,285	414
Income from cost of policies used	-	-	800	425
Profit sharing in reinsurance policies ceded to IRB	-	-	508	136
Other	65	12	65	14
Total	5,814	3,478	8,434	4,432
Other expenses				
Interest on own capital	(7,547)	(5,272)	(7,547)	(5,272)
Losses with assignment credit	(6,048)	(1,805)	(6,048)	(3,519)
Provision for contingencies	(700)	(1,172)	(700)	(1,172)
Expenses for collection – DPVAT	-	-	(292)	(142)
Other expenses from insurance operations	-	-	-	(249)
Goodwill amortization (note 10)	(2,495)	-	(3,218)	(722)
Other	(90)	(3)	(64)	(3)
Total	(16,880)	(8,252)	(17,869)	(11,079)

(a) Refers to fee charged on early payment of loans contracts. The volume has decreased as for some contracts the charge was prohibited.

24 Financial instruments

The main financial instruments as of September 30, 2009 and June 30, 2009 refer to securities, which are valued at market value and disclosed in note 5, the loans, time deposits and acceptances and endorsements, whose market values are:

	Bank					
	September 30, 2009			June 30, 2009		
	Account balance	Market value	Unrealized gains (losses)	Account balance	Market value	Unrealized gains (losses)
Loans	1,184,416	1,148,025	(36,391)	1,093,866	994,939	(98,927)
Time deposits	(749,805)	(749,805)	-	(674,383)	(647,383)	-
Acceptances and Endorsements	(63,446)	(63,294)	152	(70,290)	(73,864)	(3,574)

	Consolidated					
	September 30, 2009			June 30, 2009		
	Account balance	Market value	Unrealized gains (losses)	Account balance	Market value	Unrealized gains (losses)
Loans	1,205,341	1,183,594	(21,747)	1,158,182	1,057,647	(100,535)
Time deposits	(783,482)	(783,482)	-	(735,891)	(735,891)	-
Acceptances and Endorsements	(63,446)	(63,294)	152	(70,290)	(73,864)	(3,574)

The market values were calculated by discounting cash flows according to the ruling contractual conditions and market rates of the credit assignment operations at the reporting date. The carrying value of the other financial instruments approximates the market value at the reporting date.

a. Credit risk

The Bank's credit policies are established by Management and aim to minimize possible problems arising from defaults by clients. This objective is achieved from careful credit analysis of the client portfolio, and considers the ability to make payment (credit analysis) and diversification of products (risk is spread). The Bank also has an allowance for doubtful loans, for the amount of R$ 50,545 (R$ 41,443 as of June 30, 2009) and R$ 58,236 (R$ 52,961 as of June 30, 2009) in Consolidated, to cover credit risk, beyond the provision in the amount of R$ 4,095 (R$ 3,601 as of June 30, 2009) to face the losses with ceded loans.

b. *Foreign exchange rate risk*

The Bank's results are subject to significant variations from the effects of fluctuations in the foreign exchange rate on liabilities tied to foreign currencies, mainly the US dollar, which closed the third quarter of 2009, reporting a devaluation of 8.89% (devaluation of 15.74% in the second quarter of 2009).

As a prevention strategy and a means of reducing the effects from fluctuations in exchange rates, Management has adopted a policy of partial hedging against the risk from foreign currency variations, using swap operations, as presented in the following table:

Bank and Consolidated	**09/30/09**	**06/30/09**
Swap operations	68,940	71,662
Fixed rated notes	(63,446)	(70,290)
Net exposure	5,494	1,372

c. *Interest rate risk*

The Bank's results are affected by significant variations arising from operations contracted at floating and pre-fixed interest rates. Management controls the interest rate and liquidity risks through systems that include VaR, reports on profitability, liquidity and other management reports.

d. *Positions of financial instruments and hedge operations (Sensitivity analysis table – Bank and Consolidated)*

The CVM Instruction 475 of December 17, 2008 requires the presentation of information on financial instruments, including hedge derivatives, which includes the sensitivity analysis for each type of market risk considered material by Management. The aforementioned instruction also determined the percentages of deterioration that Management must consider in the evaluation of the scenarios. The analysis carried out and the respective sensitivity analysis table is as follows:

1 Situation considered probable by Management and which is already included in the evaluations of the operations reported in the balance sheet.

2 Situation with deterioration of at least 25% **(d.1)** in the risk variable considered (exchange and interest rate).

3 Situation with deterioration of at least 50% **(d.1)** in the risk variable considered (exchange and interest rate).

At September 30, 2009:

Scenario of increasing of the US$ price			Scenario I	Scenario II	Scenario III
				Deterioration rate	
Operation	**Product**	**Risk**	**1%**	**25%**	**50%**
Hedge derivative	Swap contracts	Increase of US$	740	18,572	37,143
Acceptances and endorsements	Fixed rated notes	Increase of US$	(632)	(15,861)	(31,721)
Net effect			**108**	**2,711**	**5,422**

Scenario of decreasing of the US$ price			Scenario I	Scenario II	Scenario III
				Deterioration rate	
Operation	**Product**	**Risk**	**1%**	**25%**	**50%**
Hedge derivative	Swap contracts	Decrease of US$	(740)	(18,572)	(37,143)
Acceptances and endorsements	Fixed rated notes	Decrease of US$	632	15,861	31,721
Net effect			**(108)**	**(2,711)**	**(5,422)**

Scenario of increasing of the Interbank Deposit Rate (DI)		Scenario I	Scenario II	Scenario III
			Deterioration rate	
Operation	**Risk**	**1%**	**25%**	**50%**
Interbank funds invested	Increase of DI	90	2,260	4,519
Securities	Increase of DI	283	7,071	14,142
Loans	Increase of DI	75	1,879	3,759
Time deposits	Increase of DI	(604)	(15,093)	(30,186)
Interbank deposits	Increase of DI	(127)	(3,177)	(6,354)
Derivative financial instruments	Increase of DI	(66)	(1,648)	(3296)
Net effect		**(349)**	**(8,708)**	**(17,416)**

Scenario of decreasing of the Interbank Deposit Rate (DI)		Scenario I	Scenario II	Scenario III
			Deterioration rate	
Operação	Risco	1%	25%	50%
Interbank funds invested	Decrease of DI	(90)	(2,260)	(4,519)
Securities	Decrease of DI	(283)	(7,071)	(14,142)
Loans	Decrease of DI	(75)	(1,879)	(3,759)
Time deposits	Decrease of DI	604	15,093	30,186
Interbank deposits	Decrease of DI	127	3,177	6,354
Derivative financial instruments	Decrease of DI	66	1,648	3,296
Net effect		349	8,708	17,416

At June 30, 2009:

Scenario of increasing of the US$ price			Scenario I	Scenario II	Scenario III
				Deterioration rate	
Operation	Product	Risk	1%	25%	50%
Hedge derivative	Swap contracts	Increase of US$	757	18,933	37,865
Acceptances and endorsements	Fixed rated notes	Increase of US$	(704)	(17,599)	(35,197)
Net effect			53	1,334	2,668

Scenario of decreasing of the US$ price			Scenario I	Scenario II	Scenario III
				Deterioration rate	
Operation	Product	Risk	1%	25%	50%
Hedge derivative	Swap contracts	Decrease of US$	(761)	(18,933)	(37,865)
Acceptances and endorsements	Fixed rated notes	Decrease of US$	707	17,599	35,197
Net effect			(54)	(1,334)	(2,668)

Scenario of increasing of the Interbank Deposit Rate (DI)

Operation	Risk	Scenario I	Scenario II	Scenario III
			Deterioration rate	
		1%	25%	50%
Interbank funds invested	Increase of DI	10	241	482
Securities	Increase of DI	262	6,540	13,079
Loans	Increase of DI	78	1,961	3,921
Time deposits	Increase of DI	(586)	(14,638)	(29,275)
Interbank deposits	Increase of DI	(36)	(897)	(1,794)
Derivative financial instruments	Increase of DI	(78)	(1,947)	(3,893)
Net effect		(350)	(8,740)	(17,480)

Scenario of decreasing of the Interbank Deposit Rate (DI)

Operação	Risco	Scenario I	Scenario II	Scenario III
			Deterioration rate	
		1%	25%	50%
Interbank funds invested	Decrease of DI	(10)	(241)	(482)
Securities	Decrease of DI	(262)	(6,540)	(13,079)
Loans	Decrease of DI	(78)	(1,961)	(3,921)
Time deposits	Decrease of DI	586	14,638	29,275
Interbank deposits	Decrease of DI	36	897	1,794
Derivative financial instruments	Decrease of DI	78	1,947	3,893
Net effect		350	8,740	17,480

(d.1) – The percentages were defined in CVM Instruction 475/08.

25 Other information

a. The Bank maintains shareholders' equity compatible with the level of risk presented by its asset structure, calculated on a consolidated basis with J. Malucelli Distribuidora de Títulos e Valores Mobiliários Ltda., which constitute the Financial Conglomerate, pursuant to BACEN Resolution 2099/94 and subsequent regulations. On June 30, 2009 the adjusted shareholders' equity accounted for 34.5% (34.3% as of June 30, 2009) of the risk-weighted assets, greater than the minimum required index of 11%.

b. The Bank has a computer and data processing equipment leasing agreement with a remaining term of 22 months. Leasing expenses in the quarter amounted to R$ 70 (R$ 114 as of September 30, 2008).

c. The guarantees awarded by the Bank amounted to R$ 19,395 (R$ 6,590 as of June 30, 2009).

d. The Bank and its subsidiaries sponsor a supplementary pension plan for its employees, which acceded to the plan making defined contributions, in the financial capitalization scheme, which was introduced in December 2004. The Bank and its subsidiaries are only responsible for the administrative expenses and the costs related to the insurance premium for participants' disability and death benefits. In the quarter ended September 30, 2009 the contributions amounted to R$ 75 in the Bank and R$ 95 in the Consolidated (R$ 97 in the Bank and R$ 100 in the Consolidated in September 30, 2008). The contributions related to accumulation of the plan's obligations are shouldered in full by the participants.

e. The subsidiary J. Malucelli Distribuidora de Títulos e Valores Mobiliários Ltda. manages investment funds, whose net assets as of September 30, 2009 amount to R$ 314,454 (R$ 320,959 as of June 30, 2009).

f. The total assets securing the Insurer's and the Reinsure's technical provisions break down as follows:

Assets covering insurance technical provisions – Consolidated	**09/30/09**	**06/30/09**
Fixed income securities – Public	39,171	54,077
Time deposits	116,571	92,137
Total	155,742	146,214

g. The balances of cash and cash equivalents presented in the statement of cash flows are composed of:

	Bank		**Consolidated**	
	3nd quarter		**3nd quarter**	
	2009	**2008**	**2009**	**2008**
At the beginning of the quarter:	195	360	2,492	1,539
Cash and bank deposits	30,263	102,464	35,034	114,593
Interbank funds invested	-	-	60,946	52,261
Securities **(h.1)**				

Total	30,458	102,824	98,472	168,393
At the end of the quarter:				
Cash and bank deposits	150	360	3,394	69,948
Interbank funds invested	104,839	102,464	104,839	6,807
Securities **(h.1)**	-	-	93,529	25,345
Total	104,989	102,824	201,762	102,100

(h.1) It is composed of the investment of a subsidiary in quotas of investment fund with high liquidity.

26 Amendments to the Corporation Law (Law 6404/76)

Law 11638, published in the "Diário Oficial da União" on December 28, 2007 and supplemented by Provisional Measure 449 on December 3, 2008, amended various provisions of Law 6404 (Corporation Law). The regulations of the Central Bank of Brazil published until now consider: a) the treatment of capital reserves and the distribution of retained earnings; b) the treatment for property, plant and equipment and deferred charges; c) recognition, measurement and disclosure with respect to impairment of losses; d) the presentation of the statement of cash flows.

In the opinion of the Bank's Management, which considers the BACEN rules published up until now, only item (d) significantly affected the preparation/presentation of the Bank's financial statements.

In the consolidated financial statements the changes affected:

- The presentation of the statement of cash flows and added value;
- The valuation of assets, related to investments in financial instruments, intangible assets and other related elements;
- The valuation of the recoverable value of fixed assets, such as property, plant and equipment and also deferred charges, with no effect as of September 30, 2009, but which should be evaluated periodically so that impairment losses can be recognized;
- The reclassification of expenditures with acquisition and development of software from deferred charges to intangible assets; and
- The reclassification of deferred income to current liabilities.

Independent auditors' review report

To
The Board of Directors and Shareholders
Paraná Banco S.A.
Curitiba - PR

1. We have reviewed the accounting information included in the Bank and Consolidated Quarterly Information (ITR) of Paraná Banco S.A. referring to the quarter ended September 30, 2008, consisting of the balance sheet, statement of income, performance report and accompanying notes, which are the responsibility of its management.

2. Our review was conducted in accordance with the specific rules established by the IBRACON - Brazilian Institute of Accountants and the Federal Accounting Council (CFC) and consisted mainly of: (a) inquiries and discussion with the management responsible for the accounting, financial and operating departments of the Bank with respect to the main criteria adopted to prepare the quarterly information and (b) a review of the information and subsequent events that had or may have a material effect on the financial situation and operations of the Bank.

3. Based on our special review we are not aware of any material changes that should be made to the aforementioned quarterly information for it to be in accordance with the rules established by the Brazilian Securities Exchange Commission (CVM) that apply to the preparation of the Quarterly Information, including the Notice nº 16,669 issued by Brazilian Central Bank which exempts banks from the provisions of Law 11638/07 in the preparation of the Intermediary Information, during the year 2008.

4. As mentioned in note 23.g, Law 11638 was enacted on December 28, 2007, and came into force on January 01, 2008. This Law amended, revoked and introduced new provisions into Law 6404/76 (Brazilian Corporation Law) and changed the accounting practices adopted in Brazil. Although this law has come into force, some amendments it has introduced are subject to validation by the Brazilian Central Bank before they apply by banks. During this period of transition, the Brazilian Central Bank issued the Notice nº 16,669 on March 20, 2008 exempting banks from the provisions of Law 11638/07 in the preparation of the Intermediary Information. The information in the ITR for the quarter ended September 30, 2008 has therefore been prepared in accordance with the specific instructions of the Brazilian Central Bank and does not include the changes in accounting practices introduced by Law 11638/07.

October 24, 2008

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-PR

Alberto Spilborghs Neto
Accountant CRC 1SP167455/O-0-S-PR

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2008 Brazilian Corporate Law

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

02.01 - BALANCE SHEET - ASSETS (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
1	Total Assets	1,886,789	1,828,127
1.01	Current Assets	770,079	756,642
1.01.01	Cash and Cash Equivalents	66,517	360
1.01.02	Interbank Funds Invested	6,068	102,464
1.01.02.01	Money Market	0	94,000
1.01.02.02	Interbank Placements	6,068	8,464
1.01.03	Securities	94,205	87,776
1.01.03.01	Own Portfolio	78,640	85,912
1.01.03.02	Subject to Repurchase Commitment	15,565	1,864
1.01.04	Interbank Accounts	655	863
1.01.04.01	Collections in Transit	654	825
1.01.04.02	Deposits with the Brazilian Central Bank	1	38
1.01.05	Interbranch Accounts	0	0
1.01.06	Loans	539,760	508,635
1.01.06.01	Loans – Private Sector	569,363	535,636
1.01.06.02	Allowance for Doubtful Loans	(29,603)	(27,001)
1.01.07	Leasing Operations	0	0
1.01.08	Other Receivables	25,297	23,861
1.01.08.01	Service Fees Receivable	11	8
1.01.08.02	Other	25,286	23,853
1.01.09	Other Assets	37,577	32,683
1.01.09.01	Other Assets	102	159
1.01.09.02	Valuation Allowance	(24)	(24)
1.01.09.03	Prepaid Expenses	37,499	32,548
1.02	Non-current Assets	892,518	853,671
1.02.01	Interbank Funds Invested	0	0
1.02.02	Securities	152,755	163,078
1.02.02.01	Own Portfolio	152,755	163,078
1.02.02.02	Subject to Repurchase Commitment	0	0
1.02.03	Interbank Placements	0	0
1.02.04	Interbranch Accounts	0	0
1.02.05	Loans	682,475	640,116
1.02.05.01	Loans – Private Sector	688,721	645,892
1.02.05.02	Allowance for Doubtful Loans	(6,246)	(5,776)
1.02.06	Leasing Operations	0	0
1.02.07	Other Receivables	11,943	11,235
1.02.07.01	Service Fees Receivable	0	0
1.02.07.02	Other	11,943	11,235
1.02.08	Other Assets	45,345	39,242
1.02.08.01	Prepaid Expenses	45,345	39,242
1.03	Permanent Assets	224,192	217,814

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2008 Brazilian Corporate Law

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

02.01 - BALANCE SHEET - ASSETS (in R$ thousand)

1 - CODE	2 - DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
1.03.01	Investments	220,188	213,962
1.03.01.01	Foreign Investments	0	0
1.03.01.02	Subsidiaries	220,019	213,744
1.03.01.03	Interest in Direct and Indirect Associated Companies	0	0
1.03.01.04	Other Investments	462	462
1.03.01.05	Provision for Losses	(293)	(244)
1.03.02	Fixed Assets for Own Use	3,351	3,212
1.03.02.01	Property for Own Use	1,867	1,867
1.03.02.02	Other Fixed Assets	3,493	3,259
1.03.02.03	Accumulated Depreciation	(2,009)	(1,914)
1.03.03	Leased Assets	0	0
1.03.04	Intangible Assets	0	0
1.03.05	Deferred Charges	653	640
1.03.05.01	Deferred Charges	1,139	1,104
1.03.05.02	Accumulated Amortization	(486)	(464)

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR **September 30, 2008** Brazilian Corporate Law
FINANCIAL INSTITUTION

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

02.02 - BALANCE SHEET - LIABILITIES (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
2	Total Liabilities	1,886,789	1,828,127
2.01	Current Liabilities	624,872	648,802
2.01.01	Deposits	471,804	500,550
2.01.01.01	Demand Deposits	4,168	2,026
2.01.01.02	Interbank Deposits	89,241	88,621
2.01.01.03	Time Deposits	378,390	408,842
2.01.01.04	Other Deposits	5	1,061
2.01.02	Money Market Repurchase Commitments	15,502	1,859
2.01.02.01	Own Portfolio	15,502	1,859
2.01.03	Acceptances and Endorsements	51,163	41,268
2.01.03.01	Obligations for Notes and Bonds Issued Abroad	51,163	41,268
2.01.04	Interbank Accounts	256	233
2.01.04.01	Payments in Transit	256	233
2.01.05	Interbranch Accounts	0	0
2.01.06	Borrowings	0	0
2.01.07	Domestic Repass Borrowings	0	0
2.01.08	Foreign Currency Repass Borrowings	0	0
2.01.09	Other Liabilities	86,147	104,892
2.01.09.01	Collection of Taxes	787	730
2.01.09.02	Corporate and Statutory Contributions	4,655	16,532
2.01.09.03	Taxes and Social Security Payable	18,219	16,560
2.01.09.04	Other	56,828	62,807
2.01.09.05	Derivative Financial Instruments	5,658	8,263
2.02	Non-current Liabilities	451,216	371,760
2.02.01	Deposits	373,834	363,303
2.02.01.01	Interbank Deposits	7,373	7,121
2.02.01.02	Time Deposits	366,461	356,182
2.02.02	Money Market Repurchase Commitments	0	0
2.02.03	Acceptances and Endorsements	69,239	0
2.02.03.01	Obligations for Notes and Bonds Issued Abroad	69,239	0
2.02.04	Interbank Accounts	0	0
2.02.05	Interbranch Accounts	0	0
2.02.06	Borrowings	0	0
2.02.07	Domestic Repass Borrowings	0	0
2.02.08	Foreign Currency Repass Borrowings	0	0
2.02.09	Other Liabilities	8,143	8,457
2.02.09.01	Taxes and Social Security Payable	3,019	3,334
2.02.09.02	Other	5,124	5,123
2.02.09.03	Derivative Financial Instruments	0	0
2.03	Deferred Income	2,822	183
2.05	Shareholders' Equity	807,879	807,382

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2008 Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

02.02 - BALANCE SHEET - LIABILITIES (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
2.05.01	Paid-In Capital Stock	763,867	763,867
2.05.01.01	Domestic	424,396	424,396
2.05.01.02	Foreign	339,471	339,471
2.05.01.03	Capital Increase	0	0
2.05.02	Capital Reserves	265	265
2.05.03	Revaluation Reserve	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Subsidiaries/Indirect and Direct Associated Companies	0	0
2.05.04	Revenue Reserves	29,552	43,268
2.05.04.01	Legal	6,416	6,416
2.05.04.02	Statutory	35,149	71,875
2.05.04.03	For Contingencies	0	0
2.05.04.04	Realizable Profit	0	0
2.05.04.05	Profit Retention	0	0
2.05.04.06	Special for Non-Distributed Dividends	0	0
2.05.04.07	Other Revenue Reserves	(12,013)	(35,023)
2.05.04.07.01	Shares Held in Treasury	(12,013)	(35,023)
2.05.05	Market Value Adjustments – Securities	(74)	(18)
2.05.06	Retained Earnings/Accumulated Losses	14,269	0

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01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

03.01 – STATEMENT OF INCOME (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2008 to 09/30/2008	4- 01/01/2008 to 09/30/2008	5- 01/07/2007 to 09/30/2007	6-01/01/2007 to 09/30/2007
3.01	Income from Financial Operations	83,751	238,284	72,329	209,353
3.01.01	Loans	74,992	213,034	54,075	173,494
3.01.02	Securities	8,759	25,250	18,254	35,859
3.02	Expenses from Financial Operations	(50,580)	(109,177)	(27,268)	(78,025)
3.02.01	Deposits, Money Market and Interbank Funds	(44,192)	(84,064)	(17,259)	(45,104)
3.02.02	Derivative Financial Instruments	2,605	199	(2,447)	(12,348)
3.02.03	Allowance for Doubtful Loans	(8,993)	(25,312)	(7,562)	(20,573)
3.03	Net Income from Financial Operations	33,171	129,107	45,061	131,328
3.04	Other Operating income/Expenses	(16,335)	(89,389)	(19,979)	(87,696)
3.04.01	Service Fee Income	1,987	6,555	2,689	7,754
3.04.02	Personnel Expenses	(4,714)	(12,844)	(3,220)	(8,495)
3.04.03	Other Administrative Expenses	(12,702)	(68,288)	(21,834)	(85,804)
3.04.04	Transactional Taxes	(2,358)	(8,633)	(3,918)	(10,694)
3.04.05	Other Operating Income	3,478	13,813	7,002	13,109
3.04.06	Other Operating Expenses	(8,252)	(37,646)	(1,744)	(6,440)
3.04.07	Equity Share in Earnings of Subsidiaries	6,226	17,654	1,046	2,874
3.05	Operating Income	16,836	39,718	25,082	43,632
3.06	Net Non-operating Income (Expenses)	27	76	21	74
3.06.01	Income	27	81	27	80
3.06.02	Expenses	0	(5)	(6)	(6)
3.07	Income Before Taxes on Income and Profit Sharing	16,863	39,718	25,103	43,706
3.08	Income and Social Contribution Taxes	(4,296)	(12,796)	(10,293)	(24,772)
3.08.01	Current Income Tax	(4,073)	(9,331)	(7,509)	(18,133)
3.08.02	Current Social Contribution Tax	(223)	(3,465)	(2,784)	(6,639)
3.09	Deferred Income and Social Contribution Taxes	1,702	6,883	2,167	11,063
3.10	Profit Sharing	0	(1,350)	0	0
3.10.01	Profit Sharing	0	(1,350)	0	0

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FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2008

Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

03.01 – STATEMENT OF INCOME (In R$ thousand)

1 – CODE	2 – DESCRIPTION	3- 07/01/2008 to 09/30/2008	4- 01/01/2008 to 09/30/2008	5- 01/07/2007 to 09/30/2007	6-01/01/2007 to 09/30/2007
3.10.02	Contributions	0	0	0	0
3.11	Reversal of Interest on Own Capital	5,272	29,990	0	0
3.13	Net Income/Loss for the Period	19,541	62,521	16,977	29,997
	NUMBER OF SHARES, EX-TREASURY (In Units)	105,680,632	105,680,632	106,560,784	106,560,784
	NET INCOME PER SHARE (In Reais)	0.18491	0.59160	0.15932	0.28150
	LOSS PER SHARE (In Reais)				

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2008 Brazilian Corporate Law

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

06.01 – CONSOLIDATED BALANCE SHEET - ASSETS (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
1	Total Assets	2,186,069	2,160,311
1.01	Current Assets	991,920	990,738
1.01.01	Cash and Cash Equivalents	69,948	1,539
1.01.02	Interbank Funds Invested	6,807	114,593
1.01.02.01	Money Market	739	106,129
1.01.02.02	Interbank Placements	6,068	8,464
1.01.03	Securities	150,703	132,641
1.01.03.01	Own Portfolio	135,138	130,777
1.01.03.02	Subject to Repurchase Commitment	15,565	1,864
1.01.04	Interbank Accounts	655	863
1.01.04.01	Collections in Transit	654	825
1.01.04.02	Deposits with the BrazilianCentral Bank	1	38
1.01.05	Interbranch Accounts	0	0
1.01.06	Loans	623,484	605,299
1.01.06.01	Loans – Private Sector	663,982	642,099
1.01.06.02	Allowance for Doubtful Loans	(40,498)	(36,800)
1.01.07	Leasing Operations	0	0
1.01.08	Other Receivables	96,643	88,003
1.01.08.01	Service Fees Receivable	11	8
1.01.08.02	Other	34,394	30,162
1.01.08.03	Insurance Operation Receivables	62,238	57,833
1.01.09	Other Assets	43,680	47,800
1.01.09.01	Other Assets	103	160
1.01.09.02	Valuation Allowance	(24)	(24)
1.01.09.03	Prepaid Expenses	43,601	47,664
1.02	Non-current Assets	1,130,634	1,105,721
1.02.01	Interbank Funds Invested	0	0
1.02.02	Securities	243,641	250,302
1.02.02.01	Own Portfolio	243,641	250,302
1.02.02.02	Subject to Repurchase Commitment	0	0
1.02.03	Interbank Placements	0	0
1.02.04	Interbranch Accounts	0	0
1.02.05	Loans	796,914	768,516
1.02.05.01	Loans – Private Sector	803,160	774,292
1.02.05.02	Allowance for Doubtful Loans	(6,246)	(5,776)
1.02.06	Leasing Operations	0	0
1.02.07	Other Receivables	38,144	41,207
1.02.07.01	Service Fees Receivable	0	0
1.02.07.02	Other	13,628	13,444
1.02.07.03	Insurance Operation Receivables	24,516	27,763
1.02.08	Other Assets	51,935	45,696

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2008 Brazilian Corporate Law

01.01 - IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A.	14.388.334/0001-99

02.01 - BALANCE SHEET - ASSETS (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
1.02.08.01	Prepaid Expenses	51,935	45,696
1.03	Permanent Assets	63,515	63,852
1.03.01	Investments	1,565	1,564
1.03.01.01	Foreign investments	0	0
1.03.01.02	Subsidiaries	0	0
1.03.01.03	Interest in Direct and Indirect Associated Companies	0	0
1.03.01.04	Other Investments	1,582	1,582
1.03.01.05	Provision for Losses	(17)	(18)
1.03.02	Fixed Assets for Own Use	5,222	4,854
1.03.02.01	Property for Own Use	1,867	1,867
1.03.02.02	Other Fixed Assets	6,126	5,620
1.03.02.03	Accumulated Depreciation	(2,771)	(2,633)
1.03.03	Leased Assets	0	0
1.03.04	Intangible Assets	0	0
1.03.05	Deferred Charges	56,728	57,434
1.03.05.01	Deferred Charges	65,824	65,773
1.03.05.02	Accumulated Amortization	(9,096)	(8,339)

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2008 Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

06.02 – CONSOLIDATED BALANCE SHEET - LIABILITIES (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
2	Total Liabilities	2,186,069	2,160,311
2.01	Current Liabilities	797,448	845,356
2.01.01	Deposits	539,931	580,345
2.01.01.01	Demand Deposits	3,921	1,848
2.01.01.02	Interbank Deposits	89,241	88,621
2.01.01.03	Time Deposits	446,764	488,815
2.01.01.04	Other Deposits	5	1,061
2.01.02	Money Market Repurchase Commitments	15,502	1,859
2.01.02.01	Own Portfolio	15,502	1,859
2.01.03	Acceptances and Endorsements	51,163	41,268
2.01.03.01	Obligations for Notes and Bonds Issued Abroad	51,163	41,268
2.01.04	Interbank Accounts	256	233
2.01.04.01	Payments in Transit	256	233
2.01.05	Interbranch Accounts	0	0
2.01.06	Borrowings	0	0
2.01.07	Domestic Repass Borrowings	0	0
2.01.08	Foreign Currency Repass Borrowings	0	0
2.01.09	Other Liabilities	190,596	221,651
2.01.09.01	Collection of Taxes	787	730
2.01.09.02	Corporate and Statutory Contributions	4,655	16,532
2.01.09.03	Taxes and Social Security Payable	36,602	32,481
2.01.09.04	Other	55,963	63,997
2.01.09.05	Derivative Financial Instruments	5,658	8,263
2.01.09.06	Insurance operation liabilities	48,602	66,255
2.01.09.07	Insurance technical provisions	38,329	33,393
2.02	Non-current Liabilities	574,869	507,973
2.02.01	Deposits	456,156	459,383
2.02.01.01	Interbank Deposits	7,373	7,121
2.02.01.02	Time Deposits	448,783	452,262
2.02.02	Money Market Repurchase Commitments	0	0
2.02.03	Acceptances and Endorsements	69,239	0
2.02.03.01	Obligations for Notes and Bonds Issued Abroad	69,239	0
2.02.04	Interbank Accounts	0	0
2.02.05	Interbranch Accounts	0	0
2.02.06	Borrowings	0	0
2.02.07	Domestic Repass Borrowings	0	0
2.02.08	Foreign Currency Repass Borrowings	0	0
2.02.09	Other Liabilities	49,474	48,590
2.02.09.01	Taxes and Social Security Payable	5,556	5,915
2.02.09.02	Other	6,724	6,473
2.02.09.03	Derivative Financial Instruments	0	0

(A free translation of the original in Portuguese)

FEDERAL PUBLIC SERVICE
CVM – BRAZILIAN SECURITIES EXCHANGE COMMISSION
QUARTERLY INFORMATION - ITR
FINANCIAL INSTITUTION

September 30, 2008 Brazilian Corporate Law

01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A.	14.388.334/0001-99

02.02 - BALANCE SHEET - LIABILITIES (in R$ thousand)

1 - CODE	2 – DESCRIPTION	3 – 09/30/2008	4 – 06/30/2008
2.02.09.04	Insurance operation liabilities	25,788	31,089
2.02.09.05	Insurance technical provisions	11,406	5,113
2.03	Deferred Income	2,822	183
2.04	Minority Interest	1	0
2.05	Shareholders' Equity	810,929	806,799
2.05.01	Paid-In Capital Stock	763,867	763,867
2.05.01.01	Domestic	424,396	424,396
2.05.01.02	Foreign	339,471	339,471
2.05.01.03	Capital Increase	0	0
2.05.02	Capital Reserves	265	265
2.05.03	Revaluation Reserve	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Subsidiaries/Indirect and Direct Associated Companies	0	0
2.05.04	Revenue Reserves	29,552	43,268
2.05.04.01	Legal	6,416	6,415
2.05.04.02	Statutory	35,149	71,876
2.05.04.03	For Contingencies	0	0
2.05.04.04	Realizable Profit	0	0
2.05.04.05	Profit Retention	0	0
2.05.04.06	Special for Non-Distributed Dividends	0	0
2.05.04.07	Other Revenue Reserves	(12,013)	(35,023)
2.05.04.07.01	Shares Held in Treasury	(12,013)	(35,023)
2.05.05	Market Value Adjustments – Securities	(74)	(18)
2.05.06	Retained Earnings/Accumulated Losses	17,319	(583)

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01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

03.01 – CONSOLIDATED STATEMENT OF INCOME (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3 - 01/07/2008 a 30/09/2008	4 - 01/01/2008 a 30/09/2008	5 - 01/ 07/2007 a 30/09/2007	6 - 01/01/2007 a 30/09/2007
3.01	Income from Financial Operations	103,104	288,045	87,872	224,915
3.01.01	Loans	88,649	251,315	69,216	195,049
3.01.02	Securities	14,455	36,730	18,656	29,866
3.02	Expenses from Financial Operations	(57,193)	(127,397)	(37,342)	(102,475)
3.02.01	Deposits, Money Market and Interbank Funds	(49,709)	(100,834)	(23,859)	(62,556)
3.02.02	Derivative Financial Instruments	2,605	199	(2,447)	(12,348)
3.02.03	Allowance for Doubtful Loans	(10,089)	(26,762)	(11,036)	(27,571)
3.03	Net Income from Financial Operations	45,911	160,648	50,530	122,440
3.04	Other Operating income/Expenses	(25,352)	(102,902)	(21,139)	(76,285)
3.04.01	Service Fee Income	11,284	37,658	2,689	8,153
3.04.02	Personnel Expenses	(8,522)	(22,289)	(3,220)	(8,517)
3.04.03	Other Administrative Expenses	(24,356)	(96,440)	(22,212)	(74,221)
3.04.04	Transactional Taxes	(3,510)	(11,968)	(4,278)	(10,468)
3.04.05	Other Operating Income	53,303	165,359	6,996	13,118
3.04.05.01	Insurance Written Premiums	48,871	145,045	0	0
3.04.05.02	DPVAT	4,432	20,314	6,996	13,118
3.04.06	Other Operating Expenses	(53,551)	(175,222)	(2,303)	(7,013)
3.04.06.01	Other Operating Expenses	(5,807)	(17,660)	(2,303)	(7,013)
3.04.06.02	Coinsurance and Reinsurance Premiums Ceded	(26,930)	(91,528)	0	0
3.04.06.03	Change in the Provision for Unearned Premiums	(11,677)	(22,688)	0	0
3.04.06.04	Claims Incurred	(3,865)	(13,356)	0	0
3.04.07	Equity Share in Earnings of Subsidiaries	0	0	1,189	2,663
3.05	Operating Income	20,559	57,746	29,391	46,155
3.06	Net Non-operating Income (Expenses)	(1)	3	17	69
3.06.01	Income	4	8	22	74
3.06.02	Expenses	(5)	(5)	(5)	(5)

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01.01 – IDENTIFICATION

1 - CVM CODE	2 - COMPANY NAME	3 - CNPJ (Corporate Taxpayer's ID)
02072-9	PARANÁ BANCO S/A	14.388.334/0001-99

03.01 – STATEMENT OF INCOME (in R$ thousand)

1 – CODE	2 – DESCRIPTION	3 - 01/07/2008 a 30/09/2008	4 - 01/01/2008 a 30/09/2008	5 - 01/ 07/2007 a 30/09/2007	6 - 01/01/2007 a 30/09/2007
3.07	Income Before Taxes on Income and Profit Sharing	20,558	57,749	29,408	46,224
3.08	Income and Social Contribution Taxes	(7,597)	(21,319)	(10,287)	(24,916)
3.08.01	Current Income Tax	(6,058)	(14,814)	(7,503)	(18,233)
3.08.02	Current Social Contribution Tax	(1,539)	(6,505)	(2,784)	(6,683)
3.09	Deferred Income and Social Contribution Taxes	1,048	3,545	701	11,363
3.10	Profit Sharing	(168)	(1,861)	0	0
3.10.01	Profit Sharing	(168)	(1,861)	0	0
3.10.02	Contributions	0	0	0	0
3.11	Reversal of Interest on Own Capital	5,272	29,990	0	0
3.12	Minority Interest	0	0	0	0
3.13	Net Income/Loss for the Period	19,113	68,104	19,822	32,671
	NUMBER OF SHARES, EX-TREASURY (In Units)	105,486,232	105,486,232	106,560,784	106,560,784
	NET INCOME PER SHARE (In Reais)	0.18119	0.64562	0.18602	0.30659
	LOSS PER SHARE (In Reais)				

(In R$ thousand)

1 Operations

Paraná Banco S.A. ("Bank") is a multiple bank whose core activity is to borrow and lend money and conduct accessory operations inherent to the commercial and credit portfolios, financing and investment portfolios and managing the credit card portfolio.

2 Presentation of the financial statements

The Bank's financial statements and its consolidated financial statements, which embrace the financial statements of the Bank, its subsidiaries, the Fundo de Investimento em Direitos Creditórios Paraná Banco I and the Fundo de Investimento em Direitos Creditórios Paraná Banco II ("FIDCs"), were prepared based on the accounting practices deriving from Brazilian corporation law previously to the provisions of Law 11,638/07, associated with the regulations and instructions of the National Monetary Council ("CMN"), the Brazilian Central Bank ("BACEN") and the Brazilian Securities Exchange Commission ("CVM").

In order to prepare these consolidated financial statements, the investments held by one company in another were eliminated, together with the intercompany asset and liability account balances, intercompany income and expenses balances and unearned income arising from intercompany transactions. Minority interest in the shareholders' equity and results of the subsidiaries have been reported separately in the consolidated balance sheet and consolidated statement of income for the quarter, respectively, when applicable.

We present below the main companies included in the consolidation and the investment interests held by the Bank:

	September 30, 2008			
Subsidiaries	**Assets**	**Liabilities**	**Results**	**% of interest**
J Malucelli Seguradora S.A (a)	208,548	128,671	4,122	100,00(*)
J Malucelli Resseguradora S.A. (b)	99,297	26,531	1,884	100,00(*)
Tresor Holdings S.A. (c)	12,303	45	618	100,00
Porto de Cima Holding Ltda (c)	117,522	-	3,504	100,00
Paraná Administradora de Consórcio Ltda. (d)	391	130	5	99,99
J. Malucelli Vida e Previdência S.A (e)	17,663	449	264	99,99
J. Malucelli Agenciamento e Serviços Ltda. (f)	1,990	2,266	(49)	99,99
J Malucelli Participação em Seguros e Resseguros S.A. (g)	72,766	-	1,884	100,00
Credit Rights Investment Fund (FIDCs)				
Fundo de Investimento em Direitos Creditórios Paraná Banco I (h)	107,096	35	2,388	43,80
Fundo de Investimento em Direitos Creditórios Paraná Banco II (h)	122,691	43	(1,158)	25,87

	June 30, 2008			
Subsidiaries	**Assets**	**Liabilities**	**Results**	**% of interest**
J Malucelli Seguradora S.A (a)	219,837	144,082	6,142	100,00(*)
J Malucelli Resseguradora S.A. (b)	101,396	30,514	882	100,00(*)
Tresor Holdings S.A. (c)	11,684	45	921	100,00
Porto de Cima Holding Ltda (c)	114,017	-	5,221	100,00
Paraná Administradora de Consórcio Ltda. (d)	385	129	-	99,99
J. Malucelli Vida e Previdência S.A (e)	17,223	273	279	99,99
J. Malucelli Agenciamento e Serviços Ltda. (f)	1,620	1,847	(17)	99,99
J Malucelli Participação em Seguros e Resseguros S.A. (g)	70,882	-	882	100,00
Credit Rights Investment Fund (FIDCs)				
Fundo de Investimento em Direitos Creditórios Paraná Banco I (h)	127,031	36	2,411	32,61
Fundo de Investimento em Direitos Creditórios Paraná Banco II (h)	135,410	69	(1,589)	22,15

(*) Indirect interest

(a) Corporate purpose comprises insurance and coinsurance damage operations. It operates mainly in the class of business of surety bonds, in which it is specialized. The acquisition of the share control occurred on January 15, 2008 and this company, therefore, started to be included in the consolidation from that date on.

(b) Corporate purpose is to undertaken reinsurance and retrocession operations in the segment for damages, operating mainly in the area for guarantees for contractual obligations.

(c) Holding companies of the investment in the indirect subsidiary J. Malucelli Seguradora S.A.

(d) Investment acquired on April 4, 2006; the company is inactive.

(e) The company was incorporated on October 17, 2006, and homologated according to Ruling 2,731 from Superintendency for Private Insurance - SUSEP. The company is at the pre-operational stage.

(f) This company was purchased on December 28, 2007. This company operates in the rendering of the advisory and control services for discount operations in the payroll, and in the control and implementation of the franchised correspondents of the Bank and provides its own infrastructure for attending the public within the locations the Bank is interested in.

(g) Holding company of the investment in the indirect subsidiary J. Malucelli Resseguradora S.A. This company started its operations on June 2, 2008.

(h) Investment represented by 100% of the quotas subordinated from FIDCs, which, for purposes of presenting these financial statements, was consolidated in compliance with CVM Instruction 408, and the interpretation included in Official Circular CVM/SNC/SEP number 01/2007. Therefore, the unearned income arising from transactions with the FIDCs was eliminated in the consolidation, as presented in the reconciliation below. These FIDCs were consolidated since the Bank exercises operational control over the credits granted to the Fund.

The shareholders' equity and profit for the quarter that refer to participation of third parties in the FIDCs, for the amounts of R$ 151,069 and R$ 5,529 (R$ 176,424 and R$ 5,538 in June 30, 2008), respectively, are reported in time deposits and financial operating expenses, respectively.

A reconciliation of shareholders' equity as of September 30, 2008 and June 30, 2008 and net income for the quarters then ended of the Bank's stand alone and consolidated financial statements is as follows:

	September 30, 2008		June 30, 2008	
	Shareholders' equity	Net income	Shareholders' equity	Net income
Bank's stand alone	807,879	19,541	807,382	19,137
Adjustments related to unearned income arising from transactions with the FIDCs, net of taxes	3,050	(428)	(583)	6,226
Consolidated	810,929	19,113	806,799	25,363

3 Description of significant accounting policies

a. *Statement of income*

Income and expenses are recognized on the accrual basis.

The commission expenses from intermediary services for loan operations and fees for agency services or introducing business are recognized to results based on the period of the loan contracts. The balance for deferred commission is recorded to prepaid expenses.

The income arising from reimbursement of expenses of third-party services, included in the loan agreements, are recognized in income based on the duration of the respective agreements. The balance of the deferred income is recorded in the liabilities in deferred income.

Insurance and reinsurance premiums are recorded on the date the policies are issued. Insurance and reinsurance premiums and the respective sales expenses/revenue are recognized in the statement of income according to the policies' term. Insurance premiums for existing risks covered, whose policies have not yet been issued, are calculated according to the technical actuarial note. Profit shares in reinsurance policies ceded to reinsurers are recorded in the current assets and statement of income for the quarter, for the term of the policies, to the extent the income deriving from ceded reinsurance can be estimated with reasonable certainty.

b. *Accounting estimates*

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the allowance for doubtful loans, deferred income tax assets, provision for contingencies, market value of securities, profit sharing in reinsurance policies ceded reinsurers and insurance technical provisions. The settlement of transactions involving these estimates may result in different amounts due to lack of precision inherent to the process of their determination. The Bank and its subsidiaries reviews the estimates and assumptions monthly.

c. *Interbank funds invested*

Recorded at the acquisition cost plus the return obtained up to the balance sheet date, net of the provision for devaluation, when applicable.

d. *Securities and derivative financial instruments*

As required by the Brazilian Central Bank Circular n° 3068, issued on November 8, 2001, securities classified as "securities available for sale" are initially stated at cost, plus accrued interest to the balance sheet date, and then adjusted to market value, net of taxes, and booked to an account "Market value adjustments – Securities" in shareholders' equity.

As required by BACEN Circular n° 3082, issued on January 30, 2002, the derivative financial instruments were stated at their market values and changes in their reported values in the statement of income.

e. *Loans, insurance and reinsurance related assets and liabilities, time deposits, interbank deposits and other assets and liabilities*

Transactions subject to predetermined remuneration rates are recorded at redemption value, adjusted to present value in deferred income/expenses, respectively. Transactions subject to floating rates are recorded at cost plus interest accrued to the balance sheet date. Regardless of their level of risk, income from loans more than 60 days overdue is only recorded as revenue when effectively received. In the Bank stand alone, income from loan assignments, with or without co-obligation, is recognized in full in the statement of income for the quarter at the time of assignment, as required by BACEN. In Consolidated, the portfolio assigned to the FIDCs is recorded in loans and the respective income is recognized on a daily pro rata basis until the balance sheet date.

Deferred sales expenses are recognized in the accounting for the period of the validity of the policies and are recorded in the account "Other assets – prepaid expenses".

f. Allowance for doubtful loans

The allowance for loan losses has been made to an amount compatible with the overall credit risk assessment, in accordance with management analysis and regulations issued by the Brazilian Central Bank, which stipulates the creation of nine risk levels, AA (minimum risk) and H (loss), and minimum provision percentages for each level.

Operations classified as level H remain classified as such for six months, when they are then written off against the existing provision and are controlled, for five years, in memorandum accounts and are no longer recorded in balance sheet accounts. The renegotiated operations are retained, at a minimum, at the same level at which they were classified. The renegotiations of loans that had been written off against the provision and which were included in memorandum accounts are classified as H and any gains arising from the renegotiations are only recognized as income when actually received. The allowance for doubtful loans, considered sufficient by management, meets the minimum requirements established by the aforementioned resolution.

The provision for losses on insurance premiums receivable was recorded to cover any losses on the realization of these receivables.

g. Investments

Investment in subsidiaries is accounted for using the equity method, plus goodwill, when applicable. Other investments are recorded at cost, and adjusted by a provision for losses. In the consolidated statement the subsidiaries' goodwill has been reclassified to deferred assets.

h. Fixed assets for own use

Stated at cost net of depreciation. Depreciation was calculated using the straight-line method, applying the following annual rates: 4% for property for own use; 10% for fixtures, fittings, communication and security systems, and 20% for data processing systems and vehicles.

i. Other current and non-current liabilities related to insurance operations

Stated at the known amounts or estimated, plus, when applicable, the corresponding charges and/or monetary and exchange variations incurred, along with the following:

- Deferred commission income is recognized during the policies' term and is recorded under "Insurance operation liabilities".

Technical provisions are recorded according to the determinations of the National Private Insurance Council – CNSP and the Private Insurance Regulator – SUSEP, whose criteria, parameters and formulas are documented in technical actuarial notes - NTAs.

- The provision for unearned premiums (UPR) is recorded at the gross value of the insurance premiums retained during the remaining coverage period of the risk, calculated on a straight-line basis according to the "pro rata dia" method. The UPR includes an amount corresponding to the estimated premiums of existing risks covered but unissued policies ("RVNE"). This reserve is being recorded according to the actuarial calculation that complies with the provisions of Circular 356/07;

- The Premium Deficiency Reserve (PDR) is calculated to cover any deficiencies of the UPR to cover future commitments under the existing insurance contracts. The PDR is calculated by the specific method described in a technical actuarial note. For the quarters ended September 30, 2008 and June 30, 2008 there were no provision to be recorded;

- The outstanding claims provision (PSL) is estimated based on the indemnities payable according to reported claims and adjusted periodically based on analyses conducted by technical departments. The PSL includes an estimate to cover the payment of indemnities and associated costs arising from judicial proceedings in progress, which is recorded based on notifications received and the regulation of claims up to the base date of the financial statements. Its value is determined according to the criteria established by CNSP Resolution 162/06 and amended by CNSP Resolution 181/07; and

- The Provision for Claims Incurred but Not Reported (IBNR) for DPVAT (Compulsory Third Party Motor Insurance) is recorded based on information received from the DPVAT Consortium, administrated by FENASEG (Federation of Private Insurance) and takes into consideration the criteria established by CNSP Resolution 151/06. Financial charges are capitalized on the recorded provision, which are recorded and classified under "financial expenses".

j. Provision for income and social contribution taxes

The provision for income tax was calculated using a rate of 15% of taxable income, plus a surcharge of 10% on taxable income in excess of R$ 240. The social contribution tax was calculated using a rate of 9% until April 30, 2008 and after that, 15% of income before tax, adjusted according to current legislation. The differential in the tax credit recorded at the rate of 15%, which was recorded in the second quarter of 2008, was in the amount of R$ 2,171.

The income and social contribution taxes on timing differences are included in "Other receivables – Other" and "Taxes and social security payable", and reflected in the net income for the quarter, or, when applicable, in the shareholders' equity.

k. Foreign currency balances

It was recorded at rates ruling at the balance sheet date.

l. Provisions

A provision is recognized in the balance sheet when the Bank or its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

m. Statements of cash flows

The Bank, voluntarily, is presenting as additional information, the statements of cash flows prepared in accordance with NPC 20 – Statement of Cash Flows, issued by IBRACON - Brazilian Institute of Independent Auditors.

4 Interbank funds invested

Refers to securities purchased under resale agreements and interbank funds applied, as presented below:

	Bank		Consolidated	
	09/30/08	06/30/08	09/30/08	06/30/08
Money market – Backed position				
Financial Treasury Bills	-	94,000	739	106,129
Interbank placements	6,068	8,464	6,068	8,464
Total	6,068	102,464	6,807	114,593

5 Securities and derivative financial instruments

a. Securities

Securities were classified as available for sale and are presented as follows:

	September 30, 2008						
Type of security	**On Demand**	**Up to 6 months**	**From 6 months to 1 year**	**More than 1 year**	**Market value**	**Cost**	**Adjustment to shareholders' equity**
Own portfolio							
LFT (*)	-	-	-	152,755	152,755	152,857	(102)
FIDCs	-	39,320	39,320	-	78,640	78,640	-
Subject to repurchase commitments							
LFT (*)	-	15,565	-	-	15,565	15,586	(21)
Total – Bank	-	54,885	39,320	152,755	246,960	247,083	(123)
Own portfolio							
LFT (*)	-	5,285	4,265	243,641	253,191	253,293	(102)
Time deposits	-	90,012	10,160	-	100,172	100,172	-
Other investment at IRB	71	-	-	-	71	71	-
Mutual funds	25,345	-	-	-	25,345	25,345	-
Subject to repurchase commitments							
LFT (*)	-	15,565	-	-	15,565	15,586	(21)
Total – Consolidated	25,416	110,862	14,425	243,641	394,344	394,467	(123)
Tax effects							49
Net adjustment to shareholders' equity – Bank and Consolidated							(74)

Type of security	On demand	Up to 6 months	From 6 months to 1 year	More than 1 year	Market value	Cost	Adjustment to shareholders' equity
	June 30, 2008						
Own portfolio							
LFT (*)	-	-	-	163,078	163,078	163,108	(30)
FIDCs	-	42,956	42,956	-	85,912	85,912	-
Subject to repurchase commitments							
LFT (*)	-	1,864	-	-	1,864	1,862	2
Total – Bank	-	44,820	42,956	163,078	250,854	250,882	(28)
Own portfolio							
LFT (*)	-	4,505	3,969	250,302	258,776	258,806	(30)
Time deposits	-	69,969	-	-	69,969	69,969	-
Other investmests at IRB	-	73	-	-	73	73	-
Mutual funds	52,261	-	-	-	52,261	52,261	-
Subject to repurchase commitments							
LFT (*)	-	1,864	-	-	1,864	1,862	2
Total – Consolidated	52,261	76,411	3,969	250,302	382,943	382,971	(28)
Tax effects							10
Net adjustment to shareholders' equity – Bank and Consolidated							(18)

(*) The market value of Federal Government bonds are obtained using the rates published by ANDIMA - the National Association of Open Market Institutions.

b. Derivative financial instruments (Bank and Consolidated)

Derivative financial instruments portfolio comprised by swap contracts was presented as follows:

	September 30, 2008				
		On balance sheet – assets (liabilities)			
	Notional amount	Up to 1 year	Market value	Cost	Market value adjustment
Assets					
Foreign currency	20,871	-	-	-	-
Liabilities					
Interbank rate	26,528	(5,658)	(5,658)	(5,724)	66

	June 30, 2008				
		On balance sheet – assets (liabilities)			
	Notional amount	Up to 1 year	Market value	Cost	Market value Adjustment
Assets					
Foreign currency	17,080	-	-	-	-
Liabilities					
Interbank rate	25,343	(8,263)	(8,263)	(9,007)	744

Description	Memorandum Accounts (notional amount)		Fair value		Accumulated result at 09/30/08
	09/30/08	06/30/08	09/30/08	06/30/08	Accounts payable
Swap contracts					
Buy position					
American dollar	23.565	23.565	20.870	17.080	(2.695)
Sell position					
Interbank interest rate (CDI)	23.565	23.565	26.528	25.343	(2.963)

c. *Policy for use, goals and strategies of the derivative financial instruments*

The Bank policy is to eliminate part of the market risk, avoiding assuming positions exposed to fluctuations in the exchange rates and operating only instruments that enable the risk control. The derivative contract is represented by a swap operation, involving another financial institution, which is recorded at CETIP. This contract is used for exchange hedge of part of the funding through the issue of foreign securities (fixed rate notes – Note 12). Although this operation was performed to protect the equity, it did not comply totally with all the conditions established by BACEN, in order to be treated as hedge. Therefore, the corresponding liability is not adjusted to market value, and the gain with this derivative, in the amount of R$ 2,605, was recorded to income with derivative financial instruments.

The Bank does not expect to incur losses in these operations, beyond those already recorded in the financial statements.

d. *Estimated market values*

The fair values were estimated at the quarterly information date, based on "significant market information". The changes in the premises and variations in the financial market operations may significantly affect the estimates presented. The methods and premises adopted by the Bank to estimate the disclosure of the fair value of its derivatives, as of September 30 and June 30, 2008, are described below:

Foreign exchange swap: Estimated based on the market quotations for contracts with similar conditions. These contracts do not foresee interim payments before the maturity date. The Bank does not plan to liquidate these contracts before their maturity date.

6 Loans and allowance for doubtful loans

a. *Portfolio by type of loan*

	Bank		Consolidated	
	09/30/08	06/30/08	09/30/08	06/30/08
Overdraft	1,302	-	1,302	-
Corporate overdraft	175	71	175	71
Guaranteed account	47,526	41,399	47,526	41,399
Working capital	31,388	29,975	31,388	29,975
Personal credit installments	1,148,458	1,081,990	1,357,516	1,316,853
Financing	14,593	17,285	14,593	17,285
Discounted securities	456	-	456	-
Payroll deduction credit card (i)	14,186	10,808	14,186	10,808
Total	1,258,084	1,181,528	1,467,142	1,416,391

(i) Value of credit limit used for revolving credit format.

b. *Portfolio by maturity, customer type and economic activity*

	Bank						
		Installments not yet due					
	Installments overdue equal to or more than 15 days (a)	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Total	06/30/08
Industry	-	1,808	6,975	-	-	8,783	5,345
Commerce	364	2,737	3,421	5,338	592	12,452	7,979
Services	593	28,967	22,142	7,015	472	59,189	59,773
Individuals	112,911	128,660	260,785	513,371	161,933	1,177,660	1,108,431
Total – 06/30/08	113,868	162,172	293,323	525,724	162,997	1,258,084	1,181,528
Total – 03/31/08	104,420	126,347	304,869	491,778	154,114	1,181,528	

(a) Classified as current asset.

	Consolidated						
		Installments not yet due					
	Installments overdue equal to or more than 15 days (a)	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Total	06/30/08
Industry	-	1,808	6,975	-	-	8,783	5,345
Commerce	364	2,737	3,421	5,338	592	12,452	7,979
Services	593	28,967	22,142	7,015	472	59,189	59,773
Individuals	130,041	186,504	284,694	623,546	161,933	1,386,718	1,343,294
Total – 06/30/08	130,998	220,016	317,232	635,899	162,997	1,467,142	1,416,391
Total – 03/31/08	120,174	176,780	345,145	620,178	154,114	1,416,391	

(a) Classified as current asset.

c. *Portfolio by risk grade*

				Bank			
				September 30, 2008		June 30, 2008	
Level	Status	Days overdue	% of provision	Total	Provision	Total	Provision
AA	Current		0,00%	-	-	-	-
A	Current		0,50%	1,014,948	5,075	963,771	4,819
B	Current		1,00%	76,704	767	63,542	635
	Overdue	15 to 30	1,00%	45,064	451	43,066	430
C	Current		3,00%	48,658	1,460	46,261	1,388
	Overdue	31 to 60	3,00%	22,898	687	23,458	704
D	Current		10,00%	964	96	757	76
	Overdue	61 to 90	10,00%	13,346	1,335	8,674	867
E	Current		30,00%	588	176	863	259
	Overdue	91 to 120	30,00%	7,579	2,274	5,777	1,733
F	Current		50,00%	341	170	271	136
	Overdue	121 to 150	50,00%	4,470	2,235	4,778	2,389
G	Current		70,00%	333	230	171	120
	Overdue	151 to 180	70,00%	4,326	3,028	3,052	2,134
H	Current	More than	100,00%	1,680	1,680	1,472	1,472
	Overdue	180	100,00%	16,185	16,185	15,615	15,615
	Total			1,258,084	35,849	1,181,528	32,777

				Consolidated			
				September 30, 2008		June 30, 2008	
Level	Status	Days Overdue	% of provision	Total	Provision	Total	Provision
AA	Current		0,00%	-	-	-	-
A	Current		0,50%	1,195,003	5,126	1,169,994	4,897
B	Current		1,00%	80,347	803	67,296	673
	Overdue	15 to 30	1,00%	51,431	514	48,583	486
C	Current		3,00%	50,410	1,512	48,383	1,451
	Overdue	31 to 60	3,00%	25,271	758	25,786	774
D	Current		10,00%	1,919	192	2,205	221
	Overdue	61 to 90	10,00%	14,513	1,451	9,912	991
E	Current		30,00%	1,379	414	1,640	492
	Overdue	91 to 120	30,00%	8,486	2,546	7,225	2,167
F	Current		50,00%	991	496	919	460
	Overdue	121 to 150	50,00%	5,244	2,622	6,251	3,126
G	Current		70,00%	1,174	822	775	542
	Overdue	151 to 180	70,00%	4,954	3,468	3,753	2,627
H	Current	More	100,00%	4,921	4,921	5,005	5,005
	Overdue	than 180	100,00%	21,099	21,099	18,664	18,664
	Total			1,467,142	46,744	1,416,391	42,576

d. Movements on allowance for doubtful loans

	Bank		Consolidated	
	3rd quarter 2008	2nd quarter 2008	3rd quarter 2008	2nd quarter 2008
Beginning balance	32,777	30,361	42,576	40,426
Charged in the quarter	8,993	7,735	10,089	7,469
Written off	(5,921)	(5,319)	(5,921)	(5,319)
Ending balance	35,849	32,777	46,744	42,576
Losses recovered	1,507	1,693	1,507	1,693

The allowance for doubtful loans related to credit assignment agreements under co-obligation in the amount of R$637 (R$821 as of June 30, 2008) is represented in "Other liabilities – other".

e. Concentration of loans and credit risk

	Bank		Consolidated	
	09/30/08	06/30/08	09/30/08	06/30/08
Ten largest customers	57.778	57,234	57.778	57,234
Percentage of the loan portfolio	4,59%	4.84%	3,94%	4.05%
Next fifty largest customers	13.485	8,834	13.485	8,834
Percentage of the loan portfolio	1,07%	0.75%	0,92%	0.62%

f. Renegotiated loans

There were no renegotiated loans as of September 30, 2008 and June 30, 2008.

g. *Credit assignment*

No loans were assigned under co-obligation in the third quarter of 2008. As of September 30, 2008, the outstanding balance of these assignments was R$ 9,824 (R$ 16,707 as of June 30, 2008).

By way of a credit assignment agreement without co-obligation, the Bank also assigned to the FIDCs during the 3rd quarter of 2008 amounts deriving from financing awarded as personal loans under consignment, to the amount of R$ 45,881 (R$ 55,280 in the second quarter of 2008), recording a gain of R$ 720 (R$ 1,301 in the second quarter of 2008), recorded as income from loans. In Consolidated, the portfolio assigned to the FIDCs is recorded in loans and the respective income is recognized on a daily pro rata basis until the balance sheet date.

Cooperation agreements were signed with other financial institutions, for assigning credits for different periods, for a maximum value of up to R$ 510,000. The balance available and not used from these agreements at September 30, 2008 was R$ 473,284 (R$ 459,669 in June 30, 2008).

7 Insurance and reinsurance operation receivables - Consolidated

	09/30/08	06/30/08
Premiums receivable (a)		
Financial guarantee	735	503
Guarantee of private obligations	7,461	8,087
Guarantee of public obligations	46,257	47,336
Guarantee of public concessions	2,693	2,597
Judicial guarantee	17,687	16,012
Retrocession	-	3
Sub-total	74,833	74,538
Profit sharing in reinsurance policies ceded to IRB	7,826	10,694
Other operating credits	4,095	364
Total	86,754	85,596
Current	62,238	57,833
Non-current assets	24,516	27,763

(a) Premiums receivable includes directly issued insurance and reinsurance premiums, accepted coinsurance as well as retrocession operations.

8 Other receivables - other

Current

	Bank		Consolidated	
	09/30/08	06/30/08	09/30/08	06/30/08
Prepaid income and social contribution taxes	10,984	8,580	16,454	11,846
Deferred income and social contribution taxes	2,653	2,412	3,831	3,928
Other deferred taxes	-	-	143	243
Purchases billable – Mastercard (a)	4,099	3,153	4,099	3,153
Accredited agencies (b)	6,334	7,526	6,334	7,526
Taxes recoverable	8	-	1,436	1,083
Other receivables from other institutions	183	321	183	321
Other	1,025	1,861	1,914	2,062
Total	25,286	23,853	34,394	30,162

(a) Refers to amounts receivable, by invoice issued to the credit card holders. This amount represents the total of the invoices in the month, the balance of which can be paid in full or to the minimum amount, in which case it is financed with revolving credit.

(b) Refers to amounts passed through by accredited agencies, corresponding to collection of loan installments, to be offset against outstanding amounts recorded in the current liabilities.

Non-current

	Bank		Consolidated	
	09/30/08	06/30/08	09/30/08	06/30/08
Deferred income and social contribution taxes	10,418	9,612	11,842	11,440
Other deferred taxes	-	-	173	293
Judicial deposits	1,525	1,623	1,525	1,623
Other	-	-	88	88
Total	11,943	11,235	13,628	13,444

9 Subsidiaries - Domestic

	Bank						
	Tresor Holdings S.A. (a)	Paraná Administradora de Consórcio Ltda. (b)	J. Malucelli Vida e Previdência S.A. (c)	Porto de Cima Holding Ltda. (d)	J. Malucelli Agenciamento e Serviços Ltda. (e)	J. Malucelli Participações em Seguros e Resseguros S.A. (f)	Total
September 30, 2008							
Information of subsidiaries							
Number of outstanding quotas/shares (in thousands)	39	13.212	16.000	102.815	5	70.000	
Shareholders' equity	12.258	261	17.214	117.522	(276)	72.766	
Net income for the quarter	618	5	264	3.504	(49)	1.884	
Information of investment in subsidiaries							
Number of quotas/shares owned (in thousands)	39	13.211	15.999	102.815	5	70.000	
Percentage of interest	100,00%	99,99%	99,99%	100,00%	99,98%	100,00%	
Movement of balances							
Beginning balances	11.640	256	16.949	114.017	(227)	70.882	213.517
Acquisition of investments	-	-	-	-	-	-	-
Equity in operating earnings	618	5	264	3.504	(49)	1.884	6.226
Dividends	-	-	-	-	-	-	-
Balances in investment	12.258	261	17.213	117.521	(276)	72.766	219.743
Balances with the Bank							
Assets	1 0	373	1	1	235	-	
Income	-	12	-	-	3	-	
Main accounts in balance sheet and statement of income							
Assets							
Cash and cash equivalents	1 0	4	1	1	337	-	
Short-term investments	-	373	17.267	-	-	-	
Investment in subsidiary company	11.982	-	-	67.896	-	72.766	
Investment in subsidiary company - goodwill	-	-	-	49.625	-	-	
Other	311	14	395	-	1.653	-	
Liabilities	(45)	(129)	(449)	-	(2.266)	-	
Shareholders' equity	12.258	261	17.214	117.522	(276)	72.766	
Income	618	12	481	3.504	3.355	1.884	
Expenses	-	(7)	(217)	-	(3.404)	-	

(a) Holding company of an investment of 15% in the ordinary shares of the subsidiary company J Malucelli Seguradora S.A. The calculation of equity in income in the Insurance Company was made based on the financial statements at September 30, 2008, with the main balances being: (1) volume of shares held - 1,264,140 ordinary shares; (2) shareholders' equity - R$ 79,877; (3) net profit for the quarter - R$ 4,122; (4) value of investment - R$ 11,982; (5) equity in income of investment - R$ 618.

(b) Investment acquired on April 4, 2006; the company is inactive.

(c) Company incorporated on October 17, 2006, and homologated, according to Ruling 2.731 of August 13, 2007, from the Superintendency for Private Insurance - SUSEP. The company is at the pre-operational stage.

(d) Holding company of an investment of 85% of the ordinary shares of the subsidary company J Malucelli Seguradora S.A. The calculation of equity in net income in the Insurance Company was made based on the financial statements at September 30, 2008, with the main balances being: (1) volume of shares held - 7,163,458 ordinary shares; (2) shareholders' equity - R$ 79,877; (3) net profit for the quarter - R$ 4,122; (4) value of investment - R$ 117,521; (5) equity in income of investment - R$ 4,122. The goodwill calculated on the purchase of this investment refers to the difference between the value from issuing the Bank's shares arising from exercising the subscription from the first and second bonus, exercised by Advent International on August 29, 2007 and January 15, 2008, respectively, and the book value of the Insurance Company's shares at July 31, 2007 and December 31, 2007, respectively.

(e) Company purchased on December 28, 2007. This company operates in the implementation of the franchised correspondents of the Bank. This investment was presented in the "Investment - provision for losses".

(f) Holding company of an investment in the indirect subsidiary company J Malucelli Resseguradora S.A.

04.01 – NOTES TO THE FINANCIAL STATEMENTS

	Bank						
	Tresor Holdings S.A. (a)	Paraná Administradora de Consórcio Ltda. (b)	J. Malucelli Vida e Previdência S.A. (c)	Porto de Cima Holding Ltda. (d)	J. Malucelli Agenciamento e Serviços Ltda. (e)	J. Malucelli Participações em Seguros e Resseguros S.A. (f)	Total
June 30, 2008							
Information of subsidiaries							
Number of outstanding quotas/shares (in thousands)	39	13.212	16.000	102.815	5	70.000	
Shareholders' equity	11.639	256	16.950	114.017	(227)	70.882	
Net income for the quarter	921	-	279	5.221	(17)	882	
Information of investment in subsidiaries							
Number of quotas/shares owned (in thousands)	39	13.211	15.999	102.815	5	70.000	
Percentage of interest	100,00%	99,99%	99,99%	100,00%	99,98%	100,00%	
Movement of balances							
Beginning balances	11.357	256	16.670	108.796	(210)	-	136.869
Acquisition of investments	-	-	-	-	-	70.000	70.000
Equity in operating earnings	921	-	279	5.221	(17)	882	7.286
Dividends	(638)	-	-	-	-	-	(638)
Balances in investment	11.640	256	16.949	114.017	(227)	70.882	213.517
Balances with the Bank							
Assets	10	371	1	1	165	-	
Income	-	21	-	-	4.498	-	
Main accounts in balance sheet and statement of income							
Assets							
Cash and cash equivalents	10	1	1	1	289	-	
Short-term investments	-	370	17.000	-	-	-	
Investment in subsidiary company	11.363	-	-	64.391	-	70.882	
Investment in subsidiary company - goodwill	-	-	-	49.625	-	-	
Other	311	13	222	-	1.331	-	
Liabilities	(45)	(129)	(273)	-	(1.847)	-	
Shareholders' equity	11.639	256	16.950	114.017	(227)	70.882	
Income	921	10	463	5.222	2.960	882	
Expenses	-	(10)	(184)	(1)	(2.977)	-	

(a) Holding company of an investment of 15% in the ordinary shares of the subsidiary company J Malucelli Seguradora S.A. The calculation of equity in income in the Insurance Company was made based on the financial statements at June 30, 2008, with the main balances being: (1) volume of shares held - 1,264,140 ordinary shares; (2) shareholders' equity - R$ 75,755; (3) net profit for the quarter - R$ 10,267 (4) value of investment - R$ 11,363; (5) equity in income of investment - R$ 1,540.

(b) Investment acquired on April 4, 2006; the company is inactive.

(c) Company incorporated on October 17, 2006, and homologated, according to Ruling 2.731 of August 13, 2007, from the Superintendency for Private Insurance - SUSEP. The company is at the pre-operational stage.

(d) Holding company of an investment of 85% of the ordinary shares of the subsidary company J Malucelli Seguradora S.A. The calculation of equity in net income in the Insurance Company was made based on the financial statements at June 30, 2008, with the main balances being: (1) volume of shares held - 7,163,458 ordinary shares; (2) shareholders' equity - R$ 75,755; (3) net profit for the quarter - R$ 10,267; (4) value of investment - R$ 114,016; (5) equity in income of investment - R$ 8,727. The goodwill calculated on the purchase of this investment refers to the difference between the value from issuing the Bank's shares arising from exercising the subscription from the first and second bonus, respectively, exercised by Advent International on August 29, 2007 and January 15, 2008, and the book value of the Insurance Company's shares at July 31, 2007 and December 31, 2007, respectively.

(e) Company purchased on December 28, 2007. This company operates in the implementation of the franchised correspondents of the Bank. This investment was presented in the "Investment - provision for losses".

(f) Holding company of an investment in the indirect subsidiary company J Malucelli Resseguradora S.A.

10 Deposits

The breakdown by maturity term follows:

Bank

	Demand and other deposits		Interbank deposits		Time deposits	
Maturity	**09/30/08**	**06/30/08**	**09/30/08**	**06/30/08**	**09/30/08**	**06/30/08**
On demand	4,168	3,087	-	-	-	-
Up to 90 days	-	-	79,120	69,859	208,110	295,291
From 91 to 360 days	-	-	10,121	18,762	170,280	113,551
More than 360 days (a)	-	-	7,373	7,121	366,461	356,182
Total	4,168	3,087	96,614	95,742	744,851	765,024

Consolidated

	Demand and other deposits		Interbank deposits		Time deposits	
Maturity	**09/30/08**	**06/30/08**	**09/30/08**	**06/30/08**	**09/30/08**	**06/30/08**
On demand	3,921	2,909	-	-	-	-
Up to 90 days	-	-	79,120	69,859	208,110	295,291
From 91 to 360 days	-	-	10,121	18,762	238,654	193,524
More than 360 days (a)	-	-	7,373	7,121	448,783	452,262
Total	3,921	2,909	96,614	95,742	895,547	941,077

(a) As of September 30, 2008, the time deposits, within the maturity term of over 360 days, were obtained at rates ranging between 12.77% to 16.43% (11.17% to 15% as of June 30, 2008) per annum in the fixed transactions and 98% to 113% (98% to 113% as of June 30, 2008) of the variation recorded by the Interbank Deposit Certificates in floating transactions.

11 Money market repurchase commitments (Bank and Consolidated)

Refer to repurchase operations to settle, tied to federal government bonds, in the amount of R$ 15,502 (R$ 1,859 as of June 30, 2008), maturing by October 1, 2008.

12 Acceptances and endorsements (Bank and Consolidated)

Refers to obligations on securities issued abroad obtained by issuing fixed rate notes to the amount of USD 60,000 thousand as of September 30, 2008 (USD 25,000 thousand as of June 30, 2008), as follows:

Tranche (In thousands of US$)	Maturity	Annual interest rate	09/30/08	06/30/08
20,000	11/27/2008	7.6543%	40,199	32,411
5,000	02/13/2009	7.5209%	10,964	8,857
35,000 (a)	08/08/2011	7,7500%	69,239	-
Total			120,402	41,268
Current			51,163	41,268
Non-current liabilities			69,239	-

(a) As of September 30, 2008, the funds related to these obligations were deposited in a deposit account denominated in US dollars and, therefore, were not exposed to the risk of exchange rate variation.

13 Insurance and reinsurance operation liabilities - Consolidated

	09/30/08	06/30/08
Operations with insurers	1,253	1,954
Operations with reinsurers	42,817	52,405
Commission payable on premiums issued	8,847	9,563
Deferred commission income	19,079	29,997
Other	2,394	3,425
Total	74,390	97,344
Current	48,602	66,255
Non-current liabilities	25,788	31,089

14 Technical provisions – Consolidated

	September 30, 2008			
	Premium deficiency reserve (PDR)	Outstanding claims provision (PSL)	Provision for Claims Incurred but Not Reported (IBNR)	Total
Class of business				
Financial guarantee	245	-	-	245
Guarantee of private obligations	10,084	2,360	-	12,444
Guarantee of public obligations	14,012	1,342	-	15,354
Guarantee of public concessions	1,903	-	-	1,903
Judicial guarantee	4,628	-	-	4,628
DPVAT	-	12,384	1,122	13,506
Retrocession	-	705	8	713
Sub-total	30,872	16,791	1,130	48,793
Other provisions				942
Total				49,735
Current				38,329
Non-current liabilities				11,406

	June 30, 2008			
	Premium deficiency reserve (PDR)	Outstanding claims provision (PSL)	Provision for Claims Incurred but Not Reported (IBNR)	Total
Class of business				
Financial guarantee	157	-	-	157
Guarantee of private obligations	6,302	1,877	-	8,179
Guarantee of public obligations	12,046	586	-	12,632
Guarantee of public concessions	685	-	-	685
Judicial guarantee	2,128	-	-	2,128
DPVAT	-	12,245	1,054	13,299
Retrocession	-	678	8	686
Sub-total	21,318	15,386	1,062	37,766
Other provisions				740
Total				38,506
Current				33,393
Non-current liabilities				5,113

15 Other liabilities – other

	Bank		Consolidated	
Current	**09/30/08**	**06/30/08**	**09/30/08**	**06/30/08**
Provision for payments related to other administrative expenses	5,002	6,341	6,479	8,492
Repasses to assignees (a)	31,638	35,930	31,638	35,930
Accounts payable – credit card (b)	3,458	2,806	3,458	2,806
Provision for return of fees on anticipated settlement of contracts (c)	7,100	7,217	7,100	7,217
Allowance for doubtful loans assigned under co-obligation	637	821	637	821
Other creditors - domestic	8,066	9,195	5,466	7,830
Other	927	497	1,185	901
Total	56,828	62,807	55,963	63,997

(a) Refers to loan amounts paid by customers, where the transaction to be written off in the loan portfolio has not yet been identified, and the amounts to be passed through to the assignees, referring to assigned credit, which is collected by the Bank.

(b) Refers to amounts payable to storekeepers.

(c) Refers to the reimbursement of fees charged to clients from credit contracts, for which there were no provisions for charges.

	Bank		Consolidated	
Non-current	**09/30/08**	**06/30/08**	**09/30/08**	**06/30/08**
Provision for civil contingencies	3,963	3,793	3,963	3,793
Provision for labor contingencies	1,161	1,330	1,239	1,408
Advances from customers	-	-	1,394	1,144
Consortium funds not sought	-	-	128	128
Total	5,124	5,123	6,724	6,473

16 Provision for contingencies (Bank e Consolidated)

The Bank and its subsidiaries are part of judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.

a. Composition of provisions

Based on information from its legal advisors, an analysis of the pending legal proceedings, and previous experience with regards to amounts claimed at labor courts, management recorded provisions for amounts considered sufficient to cover losses from the current actions, as follows:

	Bank		Consolidated	
	09/30/08	06/30/08	09/30/08	06/30/08
Civil	3,962	3,793	3,962	3,793
Civil – insurance claims	-	-	2,812	1,062
Labor	1,161	1,330	1,239	1,408
Tax	2,101	1,803	2,101	1,803
Total	7,224	6,926	10,114	8,066

b. Movements in the provisions

	September 30, 2008				
	Balances as of July 1	**Additions to the provision**	**Reversals**	**Paid**	**Balances as of September 30**
Civil	3,793	822	(349)	(304)	3,962
Labor	1,330	248	(417)	-	1,161
Tax	1,803	298	-	-	2,101
Total – Bank	6,926	1,368	(766)	(304)	7,224
Total – 06/30/2008	6,208	1,215	(260)	(237)	6,926

	Balances as of July 1	**Additions to the provision**	**Reversals**	**Paid**	**Balances as of September 30**
Civil	3,793	822	(349)	(304)	3,962
Civil – Insured claims	1,062	1,750	-	-	2,812
Labor	1,408	248	(417)	-	1,239
Tax	1,803	298	-	-	2,101
Total – Consolidated	8,066	3,118	(766)	(304)	10,114
Total – 06/30/2008	8,427	1,293	(1,417)	(237)	8,066

c. *Asset and liabilities contingencies*

There are other proceedings, as of September 30, 2008, assessed by the Bank's legal counsels as being a possible or remote risk relating to labor and civil claims to the amount of R$ 712 and R$ 15,561 (R$ 690 and R$ 13,093 as of June 30, 2008), respectively, for which no provision was recorded considering that accounting practices adopted in Brazil do not require it to be recorded.

The Bank has other contingencies, as of September 30, 2008, involving tax issues to the estimated amount of R$ 2,430 (R$ 2,355 as of June 30, 2008) rated as a possible or remote risk, for which no provision for losses has been recorded in the financial statements. The main proceedings are as follows:

- Social contribution: Proceeding contesting the tax assessment issued to collect the social contribution on the IPC 90 monetary restatement difference, a risk management estimates at R$ 1,072 (R$ 1,039 as of June 30, 2008).

- INSS on freelance workers: judicial proceeding to dismiss the assessment notice referring to the demand for social security contributions resulting from workers being deemed not to be freelance. Bank management estimates the risk involved to be R$ 1,325 (R$ 1,284 as of June 30, 2008).

No contingency gains were recorded in the quarters ended September 30, 2008 and June 30, 2008.

17 Income and social contribution taxes

a. Current quarter tax charge

	Bank		Consolidated	
	Quarter ended September 30			
	2008	2007	2008	2007
Net income before taxes on income	22,135	25,103	25,662	29,408
Income and social contribution taxes charge at the nominal rates of 25% and 15% (25% and 9% in 2007), respectively	(8,854)	(8,535)	(10,265)	(9,999)
Permanent deductions (additions)	6,260	409	3,716	413
Equity share in earnings of subsidiaries and associated company	2,490	356	-	404
Interest on own capital	2,109	-	2,109	-
Allowance for doubtful loans	1,203	-	1,203	-
Other	458	53	404	9
Income and social contribution taxes charged to income for the quarter	(2,594)	(8,126)	(6,549)	(9,586)

b. Income and social contribution taxes reported in the statement of income

	Bank		Consolidated	
	Quarter ended September 30			
	2008	2007	2008	2007
Deferred taxes – Tax credits taken/realized on timing differences	1,702	2,167	1,048	701
Current taxes – Income and social contribution taxes payable	(4,296)	(10,293)	(7,597)	(10,287)
Total	(2,594)	(8,126)	(6,549)	(9,586)

c. *Origin of deferred taxes*

	Bank		
	2008		
Description	**Balances as of July 1**	**Constitution/ (realization)**	**Balances as of September 30**
Deferred income and social contribution taxes – assets			
On allowance for doubtful loans	9,966	1,007	10,973
On provision for tax, labor and civil contingencies	2,049	-	2,049
On market value adjustments of securities	9	40	49
	12,024	1,047	13,071
Deferred income and social contribution taxes – liabilities			
On deferred commission	2,358	(695)	1,663
	2,358	(695)	1,663

	Consolidated		
	2008		
Description	**Balances as of July 1**	**Constitution/ (realization)**	**Balances as of September 30**
Deferred income and social contribution taxes – assets			
On unearned income arising from transactions with the FIDCs	3,343	(741)	2,602
On allowance for doubtful loans	9,966	1,007	10,973
On provision for tax, labor and civil contingencies	2,049	-	2,049
On market value adjustments of securities	9	40	49
	15,367	306	15,673
Deferred income and social contribution taxes – liabilities			
On deferred commission	7,080	(782)	6,298
	7,080	(782)	6,298

	Bank		
	2008		
Description	**Balances as of April 1**	**Constitution/ (realization)**	**Balances as of June 30**
Deferred income and social contribution taxes – assets			
On allowance for doubtful loans	7,024	2,942	9,966
On provision for tax, labor and civil contingencies	1,512	537	2,049
On market value adjustments of securities	14	(5)	9
	8,550	3,474	12,024
Deferred income and social contribution taxes – liabilities			
On deferred commission	2,832	(474)	2,358
	2,832	(474)	2,358

	Consolidated		
	2008		
Description	**Balances as of April 1**	**Constitution/ (realization)**	**Balances as of June 30**
Deferred income and social contribution taxes – assets			
On unearned income arising from transactions with the FIDCs	6,369	(3,026)	3,343
On allowance for doubtful loans	7,024	2,942	9,966
On provision for tax, labor and civil contingencies	1,512	537	2,049
On market value adjustments of securities	14	(5)	9
	14,919	448	15,367
Deferred income and social contribution taxes – liabilities			
On deferred commission	7,381	(301)	7,080
	7,381	(301)	7,080

d. Projected realization of deferred tax assets on timing differences

Bank

	September 30, 2008		
	Income tax	**Social contribution**	**Total**
2008/2009	1,658	995	2,653
2009/2010	1,628	977	2,605
2010/2011	1,628	977	2,605
2011/2012	1,628	977	2,605
2012/2013	1,627	976	2,603
Total	8,169	4,902	13,071

	June 30, 2008		
	Income tax	**Social contribution**	**Total**
2008/2009	1,508	904	2,412
2009/2010	1,502	901	2,403
2010/2011	1,502	901	2,403
2011/2012	1,502	901	2,403
2012/2013	1,502	901	2,403
Total	7,516	4,508	12,024

The present value of the deferred tax assets, considering the average interbank rates is R$ 9,102 (R$8,360 as of September 30, 2008).

Consolidated

	September 30, 2008		
	Income tax	Social contribution	Total
2008/2009	2,394	1,437	3,831
2009/2010	2,518	1,511	4,029
2010/2011	1,628	977	2,605
2011/2012	1,628	977	2,605
2012/2013	1,627	976	2,603
Total	9,795	5,878	15,673

	June 30, 2008		
	Income tax	Social contribution	Total
2008/2009	2,456	1,473	3,929
2009/2010	2,644	1,586	4,230
2010/2011	1,502	901	2,403
2011/2012	1,502	901	2,403
2012/2013	1,502	901	2,403
Total	9,606	5,762	15,368

The present value of the deferred tax assets, considering the average interbank rates, net of the tax impact is R$ 11,245 (R$ 11,115 as of June 30, 2008).

e. *Unrecognized deferred tax assets (Bank and Consolidated)*

The Bank and its subsidiaries have no tax credits which were not recorded in the financial statements as of September 30, 2008 and June 30, 2008.

18 Shareholders' equity

a. *Capital*

The Bank's fully subscribed and paid in share capital consists of 56,724,976 (60,600,000 as of June 30, 2008) common nominative shares and 26,976,240 preferred shares (26,285,416 as of June 30, 2008), held by shareholders domiciled in Brazil, and 23,273,516 preferred shares (24,247,916 as of June 30, 2008), held by shareholders domiciled abroad; all shares with no nominal value.

In the Management Council Meeting, held on July 7, 2008, the counselors approved the conversion of 3,875,024 common shares issued by the Bank into 3,875,024 preferred shares, in accordance with the order sent by the total shareholders, who own common shares issued by the Bank to the Board of Directors, at the ratio of 1 (one) common share for 1 (one) preferred share. The shares to be converted will have the same rights currently assured to the existing preferred shares. The efficiency of the deliberation approved is conditioned to ratification by the Central Bank of Brazil.

b. *Shares held in Treasury*

The Bank holds in Treasury a total of 1,491,500 preferred shares from its own issue (3,921,200 as of June 30, 2008), purchased on the market, for the amount of R$ 12,013 (R$35,023 as of June 30, 2008) for future sale and/or cancellation. The market value of these shares, at September 30, 2008, was R$ 8,874 (R$ 35,611 as of June 30, 2008).

In the Management Council Meeting, held on July 7, 2008, the counselors approved the end of the first repurchasing program started in October 19, 2007, which purchased 4,155,600 preferred shares and cancelled the aforementioned shares, without reducing the capital stock through the absorption of R$ 36,726 in the "Retained earnings - reserve to complement the shareholders' equity".

c. *Capital reserve*

Refers to the restatement of the CETIP financial securities, which is conducted based on information provided by this entity.

d. *Revenue reserves*

The legal reserve is formed by 5% of the net income for the year, limited to 20% of the capital.

The statutory reserve refers to the reserve to complement the shareholders' equity, the objective of which is to guarantee funds to comply with regulatory and operational requirements related to the value of the Bank and its subsidiaries' shareholders' equity, which can be converted to capital through a decision during a Board of Directors Meeting, observing the limit for authorized capital, and observing the proposal of the Board of Directors, and can consist of up to 100% of the net profit remaining after the allocations to the legal reserve and the minimum compulsory dividend, but can not exceed the value of capital.

The Board of Directors, in accordance with the statutory provisions, performs the proposal for destination of the net profit of the year after the constitution of the legal reserve and the performance of the minimum mandatory payment of dividends, which is taken to the approval of the Ordinary General Meeting.

e. Dividends and interest on own capital

Shareholders are assured minimum dividends of 25% of the net income for the year, adjusted pursuant to corporation law. The interest on shareholders' equity is calculated according to the criteria specified by existing tax legislation. The accounting records comply with the accounting guidelines issued by the Brazilian Central Bank, where the expense incurred is reclassified from the statement of income to retained earnings, in order to prepare and publish the financial statements in accordance with Circular 2739, article 3, issued by the Brazilian Central Bank on February 19, 1997. This interest lowered the tax charges recorded in the statement of income by R$ 2,109 (R$ 7,274 as of June 30, 2008).

19 Related party transactions

Bank

Description	09/30/2008 Liabilities	3rd quarter 2008 Income	3rd quarter 2008 Expenses
Demand deposits	998	-	-
Time deposits	102,241	-	3,395
Services rendered	-	-	3,300
Reimbursement of income/expenses	-	23	401
Rent	-	27	-

Bank

Description	06/30/2008 Liabilities	2nd quarter 2008 Income	2nd quarter 2008 Expenses
Demand deposits	269	-	-
Time deposits	98,101	-	2,629
Services rendered	-	-	2,950
Reimbursement of income/expenses	-	44	327
Rent	-	18	-

Consolidated

Description	09/30/2008 (Assets) Liabilities	3rd quarter 2008 Income	3rd quarter 2008 Expenses
Demand deposits	751	-	-
Time deposits	101,868	-	3,383
Reimbursement of income/expenses	-	-	506
Rent	-	4	-

Consolidated

Description	06/30/2008 (Assets) Liabilities	2nd quarter 2008 Income	2nd quarter 2008 Expenses
Demand deposits	91	-	-
Time deposits	97,730	-	2,618
Reimbursement of income/expenses	-	-	770

The time deposits and other transactions with related parties are executed on an arm's-length basis.

20 Other administrative expenses

	Bank		Consolidated	
	3rd quarter		3rd quarter	
	2008	**2007**	**2008**	**2007**
Commissions **(a)**	(270)	(14,694)	(6,290)	(14,759)
Specialized technical services	(6,969)	(2,672)	(9,160)	(2,685)
Data processing	(1,240)	(625)	(1,518)	(625)
Advertising and marketing	(374)	(404)	(585)	(404)
Graphic services	(252)	(305)	(282)	(305)
Financial system service expenses	(261)	(371)	(592)	(608)
Communications	(563)	(362)	(792)	(362)
Transportation	(98)	(183)	(188)	(183)
Rent	(105)	(45)	(474)	(45)
Special offers and public relations	(194)	(272)	(221)	(272)
Maintenance material	(176)	(95)	(552)	(95)
Stationary	(64)	(83)	(260)	(83)
Publishing	(117)	(246)	(176)	(246)
Expenses with agreement fees	(663)	(488)	(663)	(488)
Travel	(243)	(148)	(789)	(148)
Other	(1,113)	(841)	(1,844)	(904)
Total	(12,702)	(21,834)	(24,356)	(22,212)

(a) The reduction in the balance of commissions in the quarter are related to the recalculation of the deferral of commissions related to the agreements that were refinanced, considering the new term of the operations, which had been previously appropriated to the income, on the refinancing dates of the agreements.

21 Other operating income and expenses.

	Bank		Consolidated	
	3rd quarter		3rd quarter	
	2008	**2007**	**2008**	**2007**
Other income				
Fee charged on early payment	1,740	4,729	1,740	4,729
Recovery of expenses and charges	97	27	74	21
Foreign exchange variation	863	1,949	863	1,949
Reversal of provision for labor and civil contingencies	766	191	766	191
Interest for insurance policies	-	-	414	-
Income from cost of policies used	-	-	425	-
Profit sharing in reinsurance policies ceded to IRB	-	-	136	-
Other	12	106	14	106
Total	3,478	7,002	4,432	6,996
Other expenses				
Provision for contingencies	(1,172)	(801)	(1,172)	(801)
Losses with ceded loans	(1,805)	(798)	(3,519)	(1,357)
Expenses for collection – DPVAT	-	-	(142)	-
Other expenses from insurance operations	-	-	(249)	-
Goodwill amortization	-	-	(722)	-
Other	(3)	(145)	(3)	(145)
Total	(2,980)	(1,744)	(5,807)	(2,303)

22 Financial instruments

The main financial instruments refer to securities, which are valued at market value and disclosed in note 6, the loans, time deposits and acceptances and endorsements, whose market values are:

	Bank		Consolidated	
	09/30/08	06/30/08	09/30/08	06/30/08
Loans	1,230,650	1,129,181	1,449,128	1,384,361
Time deposits	743,486	763,807	895,065	939,960
Acceptances and endorsements	128,424	42,164	128,424	42,164

The market values were calculated by discounting cash flows according to the ruling contractual conditions and market rates at the reporting date. The carrying value of the other financial instruments approximates the market value at the reporting date.

a. *Credit risk*

The Bank's credit policies are established by Management and aim to minimize possible problems arising from defaults by clients. This objective is achieved from careful credit analysis of the client portfolio, and considers the ability to make payment (credit analysis) and diversification of products (risk is spread). The Bank also has an allowance for doubtful loans, for the amount of R$ 35,859 (R$ 32,777 as of June 30, 2008) and R$ 46,744 (R$ 42,576 as of June 30, 2008) in Consolidated, to cover credit risk.

b. *Foreign exchange rate risk*

The Bank's results are subject to significant variations from the effects of fluctuations in the foreign exchange rate on liabilities tied to foreign currencies, mainly the US dollar, which closed the third quarter of 2008, reporting a valuation of 20.25% (devaluation of 10.09% as of June 30, 2008).

As a prevention strategy and a means of reducing the effects from fluctuations in exchange rates, Management has adopted a policy of partial hedging against the risk from foreign currency variations, using swap operations, as presented in the following table:

Bank and Consolidated	**09/30/08**	**06/30/08**
Bank deposits in foreign exchange	66,213	-
Swap operations	20,870	17,080
Fixed rated notes	(120,402)	(41,268)
Net exposure	(33,319)	(24,188)

The expense of exchange variation in the quarter on the net exposure shown above was R$ 8,357 (income of R$ 1,438 in the quarter ended September 30, 2007, presented in "Other operating income") was presented in the income statement in "Deposits, money market and interbank funds"

c. *Interest rate risk*

The Bank's results are affected by significant variations arising from operations contracted at floating and pre-fixed interest rates. Management controls the interest rate and liquidity risks through systems that include VaR, reports on profitability, liquidity and other management reports.

23 Other information

a. The Bank maintains shareholders' equity compatible with the level of risk presented by its asset structure, calculated on a consolidated basis with J. Malucelli Distribuidora de Títulos e Valores Mobiliários Ltda., which constitute the Financial Conglomerate, pursuant to BACEN Resolution 2099/94 and subsequent regulations. On September 30, 2008 the adjusted shareholders' equity accounted for 49.03% (52,09% as of June 30, 2008) of the risk-weighted assets, greater than the minimum required index of 11%.

b. The Bank has a computer and data processing equipment leasing agreement with a remaining term of 19 months. Leasing expenses in the quarter amounted to R$ 114 (R$ 111 as of September 30, 2007).

c. The guarantees awarded by the Bank amounted to R$ 4,128 (R$ 4,116 as of June 30, 2008).

d. The Bank and its subsidiaries sponsor a supplementary pension plan for its employees, which acceded to the plan making defined contributions, in the financial capitalization scheme, which was introduced in December 2004. The Bank and its subsidiaries are only responsible for the administrative expenses and the costs related to the insurance premium for participants' disability and death benefits. In the quarter ended September 30, 2008 the contributions amounted to R$ 97 in the Bank and R$ 100 in Consolidated (R$ 81 in the Bank and Consolidated in 2007). The contributions related to accumulation of the plan's obligations are shouldered in full by the participants.

e. The subsidiary J. Malucelli Distribuidora de Títulos e Valores Mobiliários Ltda. manages investment funds, whose net assets as of September 30, 2008 amount to R$ 310,718 (R$ 378,384 as of June 30, 2008).

f. The total assets securing the Insurer's and the Reinsure's technical provisions break down as follows:

Assets covering insurance technical provisions – Consolidated	**09/30/08**	**06/30/08**
Fixed income securities – Public	80,616	85,407
Time deposits	48,129	35,832
Total	128,745	121,239

g. Law 11638 was enacted on December 28, 2007, and came into force on January 01, 2008. This Law amended, revoked and introduced new provisions into Law 6404/76 (Brazilian Corporation Law) and will change the accounting practices adopted in Brazil. Although this law has come into force, the main amendments it has introduced are subject to validation by the Brazilian Central Bank before they apply by banks. During this period of transition, the Brazilian Central Bank issued the Notice n° 16,669 on March 20, 2008 exempting banks from the provisions of Law 11638/07 in the preparation of the Intermediary Information. Thus, the preparation of the Quarterly Information (ITR) for the quarter ended as of September 30, 2008 were prepared in accordance with the specific instructions of the Brazilian Central Bank and does not include the changes in accounting practices introduced by Law 11638/07. Bank management is in the process of evaluating the effects that Law 11638/07 will have on its shareholders' equity and statement of income for the 2008 financial year and will take into account the guidelines and definitions to be issued by the regulatory agencies. Management holds it is currently not possible to determine the effects of these amendments on the statement of income and shareholders' equity for the quarter ended September 30, 2008.

h. In the General Extraordinary Meeting, held on June 27, 2008, Bank Management approved the merger of Fors Holdings S.A., based on the merger report and protocol of merger and justification of Fors, which main balances merged were: total assets of R$ 55,665 and total shareholders' equity R$ 55,632. Considering that almost the total assets of Fors Holding S.A. were represented by preferred shares of the Bank, analyzed by the equity accounting method, this merger did not change the capital of the Bank. The goodwill accounted for at Fors Holdings S.A., in the amount of R$ 49,019, was recorded in the Bank in deferred assets and was wholly provisioned at the date of the merger. This goodwill will be amortized for the period of 60 months, with the respective fiscal effects in the Bank. The General Extraordinary Meeting is under process of approval by the Central Bank of Brazil.

24 Subsequent event

As part of the liquidity and credit risk management plan, due to the current liquidity market crisis in Brazil, in October, 2008 the Bank granted, through credit assignment contract with co-obligation, amounts resulting from financings granted under the modality of personal loan on consignment, in the amount of R$ 179,157, resulting in a gross gain of R$ 14,266.

25 Statement of cash flows – Indirect method

	Bank		Consolidated	
	09/30/2008	06/30/2008	09/30/2008	06/30/2008
Cash flows from operating activities				
Adjusted net income for the quarter	23.361	15.924	31.181	32.739
Net income for the quarter	19.541	19.137	19.113	25.363
Adjustments to net income:				
Depreciation and amortization	116	111	895	885
Equity in operating earnings of subsidiaries and associated company	(6.226)	(7.286)	-	-
Allowance for doubtful loans	8.993	7.735	10.089	7.469
Deferred income and social contribution taxes	(1.702)	(3.952)	(1.556)	(1.157)
Deferred income	2.639	179	2.639	179
Minority interest	-	-	1	-
Changes in assets and liabilities	(12.510)	(98.243)	7.639	(162.866)
Market value adjustments - Securities	(56)	10	(56)	10
Increase in interbank funds invested	96.396	31.792	107.786	33.343
Decrease (increase) in securities	3.893	(6.695)	(11.401)	(92.788)
(Increase) decrease in interbank accounts (net of assets/liabilities)	231	(28)	231	(28)
(Increase) in loans	(82.476)	(131.143)	(58.261)	(110.826)
Decrease (increase) in other receivables	(441)	(9.297)	(3.341)	(12.307)
Decrease (increase) in other assets	(10.997)	(6.265)	(2.119)	(17.735)
Decrease (increase) in derivative financial instruments	(2.605)	1.447	(2.605)	1.447
Decrease (increase) in other liabilities	(16.455)	21.936	(22.595)	36.018
Net cash used in operating activities	10.851	(82.319)	38.820	(130.127)
Cash flows from investing activities				
Disposals of fixed assets for own use	-	-	5	-
Dividends received from subsidiaries and associated companies	-	638	-	-
Acquisition of investments	-	(70.000)	-	-
Acquisition of fixed assets for own use	(234)	(440)	(511)	(922)
Acquisition of deferred charges	(35)	(131)	(53)	(131)
Net cash (used in) from investing activities	(269)	(69.933)	(559)	(1.053)
Cash flows from financing activities				
Increase in deposits	(18.214)	185.815	(43.641)	161.984
Increase (decrease) in money market repurchase commitments	13.643	1.859	13.643	1.859
Increase (decrease) in acceptances and endorsements	79.134	(4.036)	79.134	(4.036)
Interest on own capital	(5.272)	(18.186)	(5.272)	(18.186)
Shares held in treasury	(13.716)	(13.065)	(13.716)	(13.065)
Net cash from financing activities	55.575	152.387	30.148	128.556
Increase (decrease) in cash and cash equivalents	66.157	135	68.409	(2.624)
Cash and cash equivalents at beginning of the quarter	360	225	1.539	4.163
Cash and cash equivalents at end of the quarter	66.517	360	69.948	1.539

KPMG

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Independent auditors' report

To
The Board of Directors and Shareholders
Paraná Banco S.A.
Curitiba - PR

1. We have examined the accompanying balance sheet of Paraná Banco S.A. and the consolidated balance sheet of the Bank and its subsidiaries, as of December 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity, statements of cash flows and added value for the year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

2. Ours examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Bank and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by the Bank's management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Paraná Banco S.A. and the consolidated financial position of the Bank and its subsidiaries as of December 31, 2008 and 2007, and the result of its operations, changes in its shareholders' equity, cash flows and added value for the year then ended, in conformity with accounting practices adopted in Brazil.

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4. As mentioned in note 25, as a result of the changes in accounting practices adopted in Brazil during 2008, the individual and the consolidated financial statements for the previous year are being restated for comparison purposes on the same basis adopted for 2008 as established in NPC 12 - Accounting Practices, Changes in Accounting Estimates and Correction of Errors.

January 30, 2009

KPMG Auditores Independentes
CRC SP014428/O-6-F-PR

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Paraná Banco S.A.

Balance sheets

December 31, 2008 and 2007

(In thousands of Reais)

	Bank		Consolidated	
Assets	2008	2007	2008	2007
Current	576,855	911,794	829,410	1,019,380
Cash and cash equivalents	270	428	3,912	570
Interbank funds invested	84,813	306,686	86,464	319,590
Money market	70,560	155,918	72,211	168,822
Interbank placements	14,253	150,768	14,253	150,768
Securities	67,213	75,276	129,371	9,339
Own portfolio	61,195	75,276	123,353	9,339
Subject to repurchase commitments	6,018	-	6,018	-
Interbank accounts	7	11	7	11
Collections in transit	6	-	6	-
Deposits with the Brazilian Central Bank	1	11	1	11
Loans	384,758	490,800	441,995	637,295
Loans - private sector	417,899	515,888	486,162	668,012
Allowance for doubtful loans	(33,141)	(25,088)	(44,167)	(30,717)
Other receivables	13,347	6,274	137,015	12,783
Service fees receivable	1	10	2,754	1,798
Insurance and reinsurance operation receivables	-	-	109,632	-
Other	13,346	6,264	24,629	10,985
Other assets	26,447	32,319	30,646	39,792
Other assets	134	122	135	122
Valuation allowance	(24)	(24)	(24)	(24)
Prepaid expenses	26,337	32,221	30,535	39,694
Non-current assets	838,987	541,672	1,085,209	649,699
Interbank funds invested	101	-	101	-
Interbank placements	101	-	101	-
Securities	260,024	70,589	380,476	67,267
Own portfolio	254,959	70,589	375,411	67,267
Derivative financial instruments	5,065	-	5,065	-
Loans	531,547	435,499	619,207	534,801
Loans - private sector	536,670	439,430	624,330	542,548
Allowance for doubtful loans	(5,123)	(3,931)	(5,123)	(7,747)
Other receivables	13,494	8,136	46,495	13,819
Insurance and reinsurance operation receivables	-	-	32,066	-
Other	13,494	8,136	14,429	13,819
Other assets	33,821	27,448	38,930	33,812
Prepaid expenses	33,821	27,448	38,930	33,812
Permanent assets	229,438	63,752	63,164	55,370
Investments	225,349	60,468	1,564	51,456
Subsidiaries and associated company	225,016	60,111	-	51,096
Other investments	462	374	1,582	377
Provision for losses	(129)	(17)	(18)	(17)
Fixed assets for own use	3,345	2,840	5,516	3,470
Property for own use	1,867	1,867	1,867	1,867
Other fixed assets	3,575	2,878	6,559	3,515
Accumulated depreciation	(2,097)	(1,905)	(2,910)	(1,912)
Deferred charges	744	444	56	43
Deferred charges	1,253	868	224	128
Accumulated amortization	(509)	(424)	(168)	(85)
Intangible assets	-	-	56,028	401
Intangible assets	-	-	65,716	740
Accumulated amortization	-	-	(9,688)	(339)
Total assets	1,645,280	1,517,218	1,977,783	1,724,449

	Bank		Consolidated	
Liabilities	2008	2007	2008	2007
Current	348,816	540,251	554,235	664,004
Deposits	253,509	366,563	306,839	490,853
Demand deposits	8,223	1,650	7,325	960
Interbank deposits	65,571	57,137	65,571	57,137
Time deposits	179,443	307,677	233,671	432,657
Other deposits	272	99	272	99
Money market repurchase commitments	5,998	1,386	5,998	1,386
Own portfolio	5,998	1,386	5,998	1,386
Acceptances and endorsements	13,326	47,500	13,326	47,500
Obligation for notes and bonds issued abroad	13,326	47,500	13,326	47,500
Interbank accounts	3	-	3	-
Payments in transit	3	-	3	-
Derivative financial instruments	-	9,769	-	9,769
Other liabilities	75,980	115,033	228,069	114,496
Collection of taxes	117	246	117	246
Corporate and statutory contributions	12,091	27,664	12,091	27,664
Taxes and social security payable	6,595	25,331	30,517	30,553
Insurance and Reinsurance Operation Liabilities	-	-	79,072	-
Insurance and Reinsurance Technical Provisions	-	-	51,289	-
Other	57,177	61,792	54,983	56,033
Non-current liabilities	485,690	227,329	613,818	313,342
Deposits	393,436	211,369	462,695	296,340
Interbank deposits	-	6,423	-	6,423
Time deposits	393,436	204,946	462,695	289,917
Acceptances and endorsements	84,355	9,422	84,355	9,422
Obligation for notes and bonds issued abroad	84,355	9,422	84,355	9,422
Other liabilities	7,899	6,538	66,768	7,580
Taxes and social security payable	2,159	1,952	4,069	1,952
Insurance and Reinsurance Operation Liabilities	-	-	35,629	-
Insurance and Reinsurance Technical Provisions	-	-	19,406	-
Other	5,740	4,586	7,664	5,628
Deferred income	4,125	2	-	-
Shareholders' equity	806,649	749,636	809,730	747,103
Capital				
Domestic	569,427	280,591	569,427	280,591
Foreign	194,440	419,260	194,440	419,260
Capital reserve	265	177	265	177
Earnings reserves	60,427	60,029	63,508	57,496
Adjustments in financial position - Available for sale securities	(124)	21	(124)	21
Shares held in Treasury	(17,786)	(10,442)	(17,786)	(10,442)
Total liabilities and shareholders' equity	1,645,280	1,517,218	1,977,783	1,724,449

See the accompanying notes to the financial statements.

Paraná Banco S.A.

Statements of income

Years ended December 31, 2008 and 2007

(In thousands of Reais, except net income per share)

	Bank			Consolidated	
	Second half	Year		Year	
	2008	2008	2007	2008	2007
Income from financial operations	186,163	340,695	287,065	408,091	318,831
Loans	168,353	306,395	238,046	356,300	275,023
Securities	17,810	34,300	49,019	51,791	43,808
Expenses from financial operations	(93,556)	(152,153)	(104,613)	(175,422)	(137,055)
Deposits, money market and interbank funds	(85,369)	(125,240)	(62,904)	(146,929)	(86,447)
Derivative financial instruments	11,077	8,671	(14,217)	8,671	(14,217)
Allowance for doubtful loans	(19,264)	(35,584)	(27,492)	(37,164)	(36,391)
Net income from financial operations	92,607	188,542	182,452	232,669	181,776
Other operating income (expenses)	(54,030)	(102,365)	(102,809)	(126,724)	(95,643)
Service fee income	3,179	7,747	9,646	58,019	10,046
Insurance Written Premiums	-	-	-	245,348	-
Coinsurance and Reinsurance premiums ceded	-	-	-	(165,370)	-
Change in the Provision for Unearned Premiums	-	-	-	(38,982)	-
Claims Incurred	-	-	-	(19,500)	-
Personnel expenses	(8,200)	(15,215)	(11,016)	(28,443)	(11,040)
Directors' remuneration	(1,722)	(2,836)	(1,190)	(3,413)	(1,190)
Other administrative expenses	(51,266)	(106,851)	(106,712)	(156,919)	(96,637)
Transactional taxes	(5,827)	(12,102)	(15,050)	(16,625)	(15,279)
Equity share in earnings of subsidiaries and associated company	11,387	22,814	4,606	-	3,948
Other operating income	4,717	22,269	26,420	29,152	26,762
Other operating expenses	(6,298)	(18,191)	(9,513)	(29,991)	(12,253)
Operating income	38,577	86,177	79,643	105,945	86,133
Net non-operating income (expenses)	54	103	93	8	91
Income before taxes on income and profit sharing	38,631	86,280	79,736	105,953	86,224
Income and social contribution taxes	(1,141)	(4,460)	(14,034)	(17,669)	(16,642)
Current income tax	(4,482)	(9,743)	(19,603)	(17,780)	(20,159)
Current social contribution tax	(895)	(4,136)	(7,386)	(8,916)	(7,611)
Deferred income and social contribution taxes	4,236	9,419	12,955	9,027	11,128
Profit sharing	(1,956)	(3,307)	(1,803)	(4,157)	(1,803)
Net income for the semester/year	35,534	78,513	63,899	84,127	67,779
Interest on own capital	(16,671)	(41,389)	(30,682)	(41,389)	(30,682)
Outstanding shares at year end (in thousands)	106,978	106,978	106,561		
Net income per share (in Reais)	0.33	0.73	0.60		

See the accompanying notes to the financial statements.

Paraná Banco S.A.

Statements of changes in shareholders' equity (bank)

Years ended December 31, 2008 and 2007

(In thousands of Reais)

			Capital reserve	Earnings reserves					
	Capital	Capital increase under approval	Restatement of financial securities	Legal	Statutory	Market value adjustments - Securities	Treasury Shares	Retained earnings	Total
Balances as of July 1, 2008	763,867	-	265	6,415	71,875	(18)	(35,023)	-	807,381
Acquisition of treasury shares	-	-	-	-		-	(19,489)	-	(19,489)
Cancellation of treasury shares	-	-	-	-	(36,726)	-	36,726	-	-
Adjustments in financial position - Available for sale securities	-	-	-	-	-	(106)	-	-	(106)
Net income for the period	-	-	-	-	-	-	-	35,534	35,534
Appropriations from net income									
Legal reserve	-	-	-	943	-	-	-	(943)	-
Interest on own capital	-	-	-	-	-	-	-	(16,671)	(16,671)
Statutory reserve	-	-	-	-	17,920	-	-	(17,920)	-
Balances as of December 31, 2008	763,867	-	265	7,358	53,069	(124)	(17,786)	-	806,649
Changes for the period	-	-	-	943	(18,806)	(106)	17,237	-	(732)
Balances as of January 1, 2008	699,851	-	177	5,502	54,527	21	(10,442)	-	749,636
Capital increase	-	64,016	-	-	-	-	-	-	64,016
Approval of capital increase	64,016	(64,016)	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(44,070)	-	(44,070)
Cancellation of treasury shares					(36,726)	-	36,726		-
Equity adjustment of clearing house membership certificate	-	-	88	-	-	-	-	-	88
Adjustments in financial position - Available for sale securities	-	-	-	-	-	(145)	-	-	(145)
Net income for the year	-	-	-	-	-	-	-	78,513	78,513
Appropriations from net income									
Legal reserve	-	-	-	1,856	-	-	-	(1,856)	-
Interest on own capital	-	-	-	-	-	-	-	(41,389)	(41,389)
Statutory reserve	-	-	-	-	35,268	-	-	(35,268)	-
Balances as of December 31, 2008	763,867	-	265	7,358	53,069	(124)	(17,786)	-	806,649
Changes for the year	64,016	-	88	1,856	(1,458)	(145)	(7,344)	-	57,013
Balances as of December 31, 2006	100,000	-	123	9,732	49,080	(9)	-	-	158,926
Adjustement from change of accounting practice (note 3.m)	-	-	-	-	(24,505)	-	-	24,505	-
Balances as of January 1, 2007	100,000	-	123	9,732	24,575	(9)	-	24,505	158,926
Capital increase	-	599,851	-	(7,425)	(24,575)	-	-	-	567,851
Approval of capital increase	599,851	(599,851)	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(10,442)	-	(10,442)
Equity adjustment of clearing house membership certificate	-	-	54	-	-	-	-	-	54
Adjustments in financial position - Available for sale securities	-	-	-	-	-	30	-	-	30
Net income for the year	-	-	-	-	-	-	-	63,899	63,899
Appropriations from net income									
Legal reserve	-	-	-	3,195	-	-	-	(3,195)	-
Interest on own capital	-	-	-	-	-	-	-	(30,682)	(30,682)
Statutory reserve	-	-	-	-	54,527	-	-	(54,527)	-
Balances as of December 31, 2007	699,851	-	177	5,502	54,527	21	(10,442)	-	749,636
Changes for the year	599,851	-	54	(4,230)	29,952	30	(10,442)	(24,505)	590,710

See the accompanying notes to the financial statements.

Paraná Banco S.A.

Statements of cash flows

Years ended December 31, 2008 and 2007

(In thousands of Reais)

	Bank			Consolidated	
	Second half	Year		Year	
	2008	2008	2007	2008	2007
Cash flows from operating activities					
Adjusted net income for the semester/year	43,356	86,433	74,143	115,813	89,415
Net income for the semester/year	35,534	78,513	63,899	84,127	67,779
Adjustments to net income:					
Depreciation and amortization	239	444	311	3,549	322
Equity in earnings of subsidiaries	(11,387)	(22,814)	(4,606)	-	(3,948)
Allowance for doubtful loans	19,264	35,584	27,492	37,164	36,391
Deferred income and social contribution taxes	(4,236)	(9,417)	(12,955)	(9,027)	(11,128)
Deferred income	3,942	4,123	2	-	-
Minority interest	-		-	-	(1)
Changes in assets and liabilities	132,702	(137,700)	(588,578)	(173,551)	(711,243)
Adjustments in financial position - Available for sale securities	(106)	(145)	30	(145)	30
(Increase) in interbank funds invested	706	120,378	(120,582)	131,631	(130,185)
Decrease (increase) in securities	(76,384)	(181,372)	(62,475)	(399,385)	(27,532)
(Increase) decrease in interbank accounts (net of assets/liabilities)	627	1	(2)	1	(2)
(Increase) in loans	213,182	(25,590)	(454,705)	73,730	(585,294)
Decrease (increase) in other receivables	12,492	(3,014)	10,572	(134,417)	3,053
(Increase) in other assets	11,656	(501)	(22,514)	4,362	(33,599)
Increase in derivative financial instruments	(8,263)	(9,769)	3,578	(9,769)	3,578
Increase in other liabilities	(21,208)	(37,688)	57,520	160,441	58,708
Net cash used in operating activities	176,058	(51,267)	(514,435)	(57,738)	(621,828)
Cash flows from investing activities					
Disposal of subsidiary	-	-	2,655	-	-
Dividends received from subsidiaries	-	638	1,136	-	610
Capital reduction in subsidiary	-	-	25,827	-	-
Disposals of fixed assets for own use	-	5	5	10	5
Acquisition of other investments	-	-	(3)	(1,117)	(3)
Acquisition of investments	-	(142,616)	(38,804)	-	(38,779)
Acquisition of fixed assets for own use	(327)	(867)	(643)	(2,576)	(1,414)
Acquisition of deferred charges	(149)	(386)	(224)	(9,044)	(224)
Net cash (used in) from investing activities	(476)	(143,226)	(10,051)	(12,727)	(39,805)
Cash flows from financing activities					
Increase in deposits	(216,908)	69,013	179,970	(17,659)	310,805
Increase (decrease) in money market repurchase commitments	4,139	4,612	(20,965)	4,612	(20,965)
Increase (decrease) in acceptances and endorsements	56,413	40,759	(45,549)	40,759	(45,549)
Interest on own capital	(16,671)	(41,389)	(30,682)	(41,389)	(30,682)
Treasury shares	(19,489)	(44,070)	(10,442)	(44,070)	(10,442)
Capital increase	-	64,016	567,851	64,016	567,851
Net cash from financing activities	(192,516)	92,941	640,183	6,269	771,018
Increase (decrease) in cash and cash equivalents	(16,934)	(101,552)	115,697	(64,196)	109,385
Cash and cash equivalents at beginning of the semester/year	101,662	186,280	70,583	190,027	80,642
Cash and cash equivalents at end of the semester/year	84,728	84,728	186,280	125,831	190,027

Paraná Banco S.A.

Statements of added value

Years ended December 31, 2008 and 2007

(In thousands of Reais)

	Bank			Consolidated	
	Second half	Year		Year	
	2008	2008	2007	2008	2007
Net income	174,849	328,018	295,737	614,537	319,344
Income from financial operations	186,163	340,695	287,065	408,091	318,831
Service fee income	3,179	7,747	9,646	58,019	10,046
Allowance for doubtful loans	(19,264)	(35,584)	(27,492)	(37,164)	(36,391)
Others	4,771	15,160	26,518	185,591	26,858
Expenses from financial operations	(74,292)	(116,569)	(77,121)	(138,258)	(100,664)
Services and materials provided by third parties	(57,098)	(116,733)	(115,712)	(214,430)	(111,484)
Stationary supplies, electric charges and others	(1,910)	(4,232)	(5,033)	(12,300)	(5,413)
Outsourced services	(48,269)	(100,165)	(99,434)	(180,568)	(91,885)
Others	(6,919)	(12,336)	(11,245)	(21,562)	(14,186)
Gross added value	43,459	94,716	102,904	261,849	107,196
Depreciation and amortization	(239)	(444)	(311)	(3,549)	(322)
Added value produced by the Bank	43,220	94,272	102,593	258,300	106,874
Added value received from subsidiaries	11,387	22,814	4,606	(108,869)	3,948
Equity in earnings of subsidiaries	11,387	22,814	4,606	-	3,948
Net income on insurance and reinsurance operations	-	-	-	(108,869)	-
Added value to be distributed	54,607	117,086	107,199	149,431	110,822
Distribution of added value	54,607	117,086	107,199	149,431	110,822
Personnel	10,511	18,886	12,422	31,719	12,444
Salaries and fees	8,494	15,143	9,369	25,245	9,384
Benefits and trainings	1,462	2,715	2,289	4,735	2,293
Social charge (F.G.T.S.)	352	627	440	1,299	440
Other	203	401	324	440	327
Governments	8,347	19,052	30,683	31,601	30,031
Federal taxes	8,188	18,665	30,201	30,513	29,468
Municipal taxes	159	387	482	1,088	563
Fees paid to third parties	215	635	196	1,984	570
Rentals	215	635	196	1,984	570
Distributed to shareholders	35,534	78,513	63,898	84,127	67,777
Interest on own capital	16,671	41,389	30,682	41,389	30,682
Dividend	-	-	-	-	638
Retained earnings	18,863	37,124	33,216	42,738	36,457

See the accompanying notes to the financial statements.

Paraná Banco S.A.

Notes to the financial statements

Years ended December 31, 2008 and 2007

(In thousands of Reais)

1 Operations

Paraná Banco S.A. ("Bank") is a multiple bank whose core activity is to borrow and lend money and conduct accessory operations inherent to the commercial and credit portfolios, financing and investment portfolios and managing the credit card portfolio.

Through its indirect subsidiaries, it also operates with insurance and reinsurance in the basic and damages lines, operating mainly with guarantees of contractual obligations, in which it is specialized.

2 Presentation of the financial statements

The Bank's financial statements and its consolidated financial statements, which embrace the financial statements of the Bank, its subsidiaries, the Fundo de Investimento em Direitos Creditórios Paraná Banco I and the Fundo de Investimento em Direitos Creditórios Paraná Banco II ("FIDCs"), were prepared based on the accounting practices deriving from Brazilian corporation law, associated with the regulations and instructions of the National Monetary Council ("CMN"), the Brazilian Central Bank ("BACEN"), the Brazilian Securities Exchange Commission ("CVM") and the Committee for Accounting Pronouncements (CPC), when applicable.

In order to prepare these consolidated financial statements, the investments held by one company in another were eliminated, together with the intercompany asset and liability account balances, intercompany income and expenses balances and unearned income arising from intercompany transactions. Minority interest in the shareholders' equity and results of the subsidiaries have been reported separately in the consolidated balance sheet and consolidated statement of income for the year, respectively, when applicable.

During 2008 Paraná Banco acquired the share control of J. Malucelli Seguradora S.A. and established a new subsidiary, J. Malucelli Resseguradora S.A., which was incorporated by J. Malucelli Participações em Seguros e Resseguros S.A., and, therefore, the comparative analysis of the consolidated financial statements must take these facts into consideration.

(In thousands of Reais)

We present below the main companies included in the consolidation and the investment interests held by the Bank:

	2008			
Subsidiaries	**Assets**	**Liabilities**	**Net income (loss)**	**% of interest**
J Malucelli Seguradora S.A (a)	274,034	191,225	17,322	100,00(*)
J. Malucelli Resseguradora S.A. (b)	160,249	85,779	4,470	100,00(*)
Tresor Holdings S.A. (c)	12,743	45	2,597	100,00
Porto de Cima Holding Ltda. (c)	120,014	-	14,724	100,00
Paraná Administradora de Consórcio Ltda. (d)	396	128	16	99,99
J. Malucelli Vida e Previdência S.A. (e)	18,209	642	1,127	99,99
J. Malucelli Agenciamento e Serviços Ltda. (f)	2,219	2,330	(121)	99,99
J. Malucelli Participação em Seguros e Resseguros S.A. (g)	74,470	-	4,470	100,00
Credit Rights Investment Fund (FIDCs)				
Fundo de Investimento em Direitos Creditórios Paraná Banco I (h)	74.699	26	8.520	
Fundo de Investimento em Direitos Creditórios Paraná Banco II (h)	110.425	39	(4.031)	

(*) participação indireta

	2007			
Subsidiaries	**Assets**	**Liabilities**	**Net income**	**% of interest**
Tresor Holdings S.A. (b)	10,784	45	1,468	100.00
Paraná Administradora de Consórcio Ltda. (c)	382	131	27	99.99
J. Malucelli Vida e Previdência S.A. (d)	8,034	195	439	99.99
J. Malucelli Agenciamento e Serviços Ltda. (f)	5,846	5,837	45	99.98
Porto de Cima Holding Ltda. (b)	41,274	-	2,475	100.00
Credit Rights Investment Fund (FIDCs)				
Fundo de Investimento em Direitos Creditórios Paraná Banco I (g)	148,166	40	9,629	
Fundo de Investimento em Direitos Creditórios Paraná Banco II (g)	142,026	45	38	

(a) The purpose of this company comprises insurance and coinsurance damage operations. It operates mainly in the class of business of surety bonds, in which it is specialized. The acquisition of the share control occurred on January 15, 2008 and this company, therefore, started to be included in the consolidation from that date on.

(b) The purpose of this company is to undertaken reinsurance and retrocession operations in the segment for damages, operating mainly in the area for guarantees for contractual obligations. The start-up of the operations of this Company occurred on May 23, 2008.

(c) Holding companies of the investment in the indirect associated company J. Malucelli Seguradora S.A.

(d) Investment acquired on April 4, 2006; the company is inactive.

(e) The company was incorporated on October 17, 2006, and homologated according to Ruling 2,731 from SUSEP – Superintendency for Private Insurance. The company is at the pre-operational stage.

(f) This company was purchased on December 28, 2007. This company operates in the rendering of the advisory and control services for discount operations in the payroll, and in the control and implementation of the franchised correspondents of the Bank and provides its own infrastructure for attending the public within the locations the Bank is interested in.

(g) Holding company of the investment in the indirect subsidiary J. Malucelli Resseguradora S.A. This company started its operations on June 2, 2008.

(h) Investment represented by 100% of the quotas subordinated from FIDCs, which, for purposes of presenting these financial statements, was consolidated in compliance with CVM Instruction 408, and the interpretation included in Official Circular CVM/SNC/SEP number 01/2007. Therefore, the unearned income arising from transactions with the FIDCs was eliminated in the consolidation, as presented in the reconciliation below. These FIDCs were consolidated since the Bank exercises operational control over the credits granted to the Fund.

The shareholders' equity and net income for the year that refer to participation of third parties in the FIDCs, for the amounts of R$ 123,864 and R$ 21,734 (R$ 210,325 and R$ 23,889 in 2007), respectively, are reported in time deposits and financial operating expenses, respectively.

(In thousands of Reais)

A reconciliation of shareholders' equity as of December 31, 2008 and 2007 and net income for the years then ended of the Bank's stand alone and consolidated financial statements is as follows:

	2008		2007	
	Shareholders' equity	**Net income**	**Shareholders' equity**	**Net income**
Bank's stand alone	806,649	78,513	749,636	63,899
Unearned income arising from transactions with the FIDCs, net of taxes	3,081	5,614	(2,533)	3,880
Consolidated	809,730	84,127	747,103	67,779

3 Description of significant accounting policies

a. Statement of income

Income and expenses are recognized on the accrual basis.

The commission expenses from intermediary services for loan operations and fees for agency services or introducing business, are recognized to results based on the period of the loan contracts. The balance for deferred commission is recorded to prepaid expenses.

The income arising from reimbursement of expenses of third-party services, included in the loan agreements, are recognized in income based on the duration of the respective agreements. The balance of the deferred income is recorded in the liabilities in deferred income at the Bank's balance sheet and is classified to "Other liabilities – others" at the Consolidated balance sheet.

Insurance and reinsurance premiums are recorded on the date the policies are issued. Insurance and reinsurance premiums and the respective sales expenses/revenue are recognized in the statement of income according to the policies' term. Insurance premiums for existing risks covered, whose policies have not yet been issued, are calculated according to the technical actuarial note. Profit shares in reinsurance policies ceded to reinsurers are recorded in the current assets and statement of income for the quarter, for the term of the policies, to the extent the income deriving from ceded reinsurance can be estimated with reasonable certainty.

b. Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the allowance for doubtful loans, deferred income tax assets, provision for contingencies and market value of securities. The settlement of transactions involving these estimates may result in different amounts due to lack of precision inherent to the process of their determination. The Bank and its subsidiaries reviews the estimates and assumptions monthly.

c. Interbank funds invested

Recorded at the acquisition cost plus the return obtained up to the balance sheet date, net of the provision for devaluation, when applicable.

d. Securities

As required by the Brazilian Central Bank Circular n° 3068, issued on November 8, 2001, securities classified as "securities available for sale" are initially stated at cost, plus accrued interest to the balance sheet date, and then adjusted to market value, net of taxes, and booked to an account "Market value adjustments – Securities" in shareholders' equity.

e. *Loans, insurance and reinsurance operations receivable, time deposits, interbank deposits and other assets and liabilities*

Transactions subject to predetermined remuneration rates are recorded at redemption value, adjusted to present value in deferred income/expenses, respectively. Transactions subject to floating rates are recorded at cost plus interest accrued to the balance sheet date. Regardless of their level of risk, income from loans more than 60 days overdue is only recorded as revenue when effectively received. In the Bank stand alone, income from loan assignments, with or without co-obligation, is recognized in full in the statement of income for the year at the time of assignment, as required by BACEN. In Consolidated, the portfolio assigned to the FIDCs is recorded in loans and the respective income is recognized on a daily pro rata basis until the balance sheet date.

Deferred sales expenses are recognized in the accounting for the period of the validity of the policies and are recorded in the account "Other assets – prepaid expenses".

f. *Allowance for doubtful loans*

The allowance for loan losses has been made to an amount compatible with the overall credit risk assessment, in accordance with management analysis and regulations issued by the Brazilian Central Bank, which stipulates the creation of nine risk levels, AA (minimum risk) and H (loss), and minimum provision percentages for each level.

Operations classified as level H remain classified as such for six months, when they are then written off against the existing provision and are controlled, for five years, in memorandum accounts and are no longer recorded in balance sheet accounts. The renegotiated operations are retained, at a minimum, at the same level at which they were classified. The renegotiations of loans that had been written off against the provision and which were included in memorandum accounts are classified as H and any gains arising from the renegotiations are only recognized as income when actually received. The allowance for doubtful loans, considered sufficient by management, meets the minimum requirements established by the aforementioned resolution.

The provision for losses on insurance premiums receivable was recorded to cover any losses on the realization of these receivables.

g. *Investments*

Investment in subsidiaries is accounted for using the equity method, plus goodwill, when applicable. Other investments are recorded at cost, and adjusted by a provision for losses. In the consolidated statement the subsidiaries' goodwill has been reclassified to deferred assets.

h. *Fixed assets for own use*

Fixed assts are stated at cost net of depreciation. Depreciation was calculated using the straight-line method, applying the following annual rates: 4% for property for own use; 10% for fixtures, fittings, communication and security systems, and 20% for data processing systems.

i. *Other current and non-current liabilities related to insurance operations*

Stated at the known amounts or estimated, plus, when applicable, the corresponding charges and/or monetary and exchange variations incurred, along with the following:

- Deferred commission income is recognized during the policies' term and is recorded under "Insurance operation liabilities".

Technical provisions are recorded according to the determinations of the National Private Insurance Council – CNSP and the Private Insurance Regulator – SUSEP, whose criteria, parameters and formulas are documented in technical actuarial notes - NTAs.

- The provision for unearned premiums (UPR) is recorded at the gross value of the insurance premiums retained during the remaining coverage period of the risk, calculated on a straight-line basis according to the "pro rata dia" method. The UPR includes an amount corresponding to the estimated premiums of existing risks covered but unissued policies ("RVNE"). This reserve is being recorded according to the actuarial calculation that complies with the provisions of Circular 356/07;

- The Premium Deficiency Reserve (PDR) is calculated to cover any deficiencies of the UPR to cover future commitments under the existing insurance contracts. The PDR is calculated by the specific method described in a technical actuarial note. For the quarters ended September 30, 2008 and June 30, 2008 there were no provision to be recorded;

- The outstanding claims provision (PSL) is estimated based on the indemnities payable according to reported claims and adjusted periodically based on analyses conducted by technical departments. The PSL includes an estimate to cover the payment of indemnities and associated costs arising from judicial proceedings in progress, which is recorded based on notifications received and the regulation of claims up to the base date of the financial statements. Its value is determined according to the criteria established by CNSP Resolution 162/06 and amended by CNSP Resolution 181/07; and

- The Provision for Claims Incurred but Not Reported (IBNR) for DPVAT (Compulsory Third Party Motor Insurance) is recorded based on information received from the DPVAT Consortium, administrated by FENASEG (Federation of Private Insurance) and takes into consideration the criteria established by CNSP Resolution 151/06. Financial charges are capitalized on the recorded provision, which are recorded and classified under "financial expenses".

j. Provision for income and social contribution taxes

The provision for income tax was calculated using a rate of 15% of taxable income, plus a surcharge of 10% on taxable income in excess of R$ 240. The social contribution tax was calculated using a rate of 9% of income before tax, adjusted according to current legislation.

The income and social contribution taxes on timing differences are included in "Other receivables – Other" and "Taxes and social security payable", and reflected in the net income for the year, or, when applicable, in the shareholders' equity using the same rates as described in the aforementioned paragraph.

k. Foreign currency balances

Foreign currency balances are recorded at rates ruling at the balance sheet date.

(In thousands of Reais)

l. Provisions

A provision is recognized in the balance sheet when the Bank or its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

m. Change in accounting practice

In 2007, Bank management decided, voluntarily, to alter its accounting practice for recording commission on granting loans in the form of personal consigned credit. It believes that this change results in better presentation of its financial statements, and ensures alignment with international accounting standards, which will be adopted by financial institutions in the consolidated financial statements in Brazil as from 2010, and enables comparisons to be made with the majority of banks of a similar size to the Bank and with public quoted banks. The Bank previously recorded this commission in full to results at the time of confirmation of the loan, and now records the commission to results over the period of the loan.

4 Interbank funds invested

Refers to securities purchased under resale agreements and interbank funds applied, as presented below:

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Money market – Backed position				
Financial Treasury Bills	70,560	5,601	72,211	18,505
National Treasury Notes	-	150,317	-	150,317
Interbank placements	14,354	150,768	14,354	150,768
Total	84,914	306,686	86,565	319,590

(In thousands of Reais)

5 Securities and derivative financial instruments

a. Securities

Securities were classified as available for sale and are presented as follows:

	December 31, 2008						
Type of security	**On demand**	**Up to 6 months**	**From 6 months to 1 year**	**More than 1 year**	**Market value**	**Cost**	**Adjustment to shareholders' equity**
Own portfolio							
LFT (a.1)	-	-	-	254,959	254,959	255,154	(195)
FIDCs	-	30,598	30,597	-	61,195	61,195	-
Subject to repurchase commitments							
LFT (a.1)	-	6,018	-	-	6,018	6,029	(11)
Total – Bank	-	36,616	30,597	254,959	322,172	322,378	(206)
Own portfolio							
LFT (a.1)	-	4,234	2,686	319,787	326,707	326,902	(195)
Time Deposits (a.2)	-	57,177	21,720	55,624	134,521	134,521	-
Other Investments at IRB	75	-	-	-	75	75	-
Mutual funds	37,461	-	-	-	37,461	37,461	-
Subject to repurchase commitments							
LFT (a.1)	-	6,018	-	-	6,018	6,029	(11)
Total – Consolidated	37,536	67,429	24,406	375,411	504,782	504,988	(206)
Tax effects							82
Net adjustment to shareholders' equity – Bank and Consolidated							(124)

(In thousands of Reais)

	December 31, 2007						
Type of security	**On demand**	**Up to 6 months**	**From 6 months to 1 year**	**More than 1 year**	**Market value**	**Cost**	**Adjustment to shareholders' equity**
Own portfolio							
LFT (a.1)	-	-	-	66,097	66,097	66,065	32
FIDCs	-	37,638	37,638	4,492	79,768	79,768	-
Total – Bank	-	37,638	37,638	70,589	145,865	145,833	32
Own portfolio							
LFT (a.1)	-	-	-	67,267	67,267	67,235	32
Mutual funds	9,339	-	-	-	9,339	9,339	-
Total – Consolidated	9,339	-	-	67,267	76,606	76,574	32
Tax effects							(11)
Net adjustment to shareholders' equity – Bank and Consolidated							(21)

(a.1) The market value of Federal Government bonds are obtained using the rates published by ANDIMA - the National Association of Open Market Institutions.

(a.2) The time deposits (CDB) were negotiated with floating rates that range between 102% and 115% of the Interbank Deposit Certificate (CDI) and were recorded at cost, plus income earned up to the balance sheet date.

(In thousands of Reais)

b. Derivative financial instruments (Bank and Consolidated)

Derivative financial instruments portfolio comprised by swap contracts as of December 31, 2008 and 2007 was presented as follows:

	2008				
	Memorandum accounts	**On balance sheet – assets (liabilities)**			
	Notional amount	**Up to 1 year**	**From 1 to 3 years**	**Account balance /Cost (b.1)**	**Market value**
Assets					
Foreign currency – American dollar	85,418	-	5,065	5,065	7,534
Liabilities					
Interbank rate - Interbank interest rate (CDI)	80,353	-	-	-	-

(b.1) This operation is recorded at its curve value, considering that it was used for hedging the raising of fixed rated notes – note 13.

(In thousands of Reais)

	2007					
	Memorandum accounts	**On balance sheet – assets (liabilities)**				
	Notional amount	**Up to 1 year**	**From 1 to 3 years**	**Market value**	**Cost**	**Market value adjustment**
Assets						
Foreign currency – American dollar	28,242	-	-	-	-	-
Liabilities						
Interbank rate - Interbank interest rate (CDI)	38,011	(9,769)	-	(9,769)	(9,341)	(428)

c. *Policy for use, goals and strategies of the derivative financial instruments*

The Bank policy is to eliminate part of the market risk, avoiding assuming positions exposed to fluctuations in the exchange rates and operating only instruments that enable the risk control. The derivative contract is represented by a swap operation, involving another financial institution, which is recorded at CETIP. This contract is used for hedging of part of the funding through the issue of foreign securities (fixed rate notes – Note 12). Management decided to contract partial hedge for the fixed rate notes debts, considering the notes with maturity on August 8, 2011, as they have a term greater than one a year and, also, it understands that the mark-to-market of swaps together with the mark-to-market of the fixed rate notes does not have any significant effect on the Bank's results, as shown in the table for analyzing the scenarios (note 22.f).

The Bank does not expect to incur losses in these operations, beyond those already recorded in the financial statements.

(In thousands of Reais)

d. *Estimated market values*

The fair values were estimated at the quarterly information date, based on "significant market information". The changes in the premises and variations in the financial market operations may significantly affect the estimates presented. The methods and premises adopted by the Bank to estimate the disclosure of the fair value of its derivatives, as of September 30 and June 30, 2008, are described below:

Foreign exchange swap: Estimated based on the market quotations for contracts with similar conditions. These contracts do not foresee interim payments before the maturity date. The Bank does not plan to liquidate these contracts before their maturity date.

6 Loans and allowance for doubtful loans

a. *Portfolio by type of loan*

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Overdraft	763	-	763	-
Guaranteed account	33,066	90,305	33,066	90,305
Working capital	52,070	7,445	52,070	7,445
Personal credit installments	826,838	834,729	982,761	1,089,971
Financing – Vehicles	5,845	-	5,845	-
Financing - Others	19,091	22,608	19,091	22,608
Discounted securities	690	-	690	-
Cheque discounted	19	-	19	-
Payroll deduction credit card (a.1)	16,187	231	16,187	231
Total	954,569	955,318	1,110,492	1,210,560

(a.1) Value of credit limit used for revolving credit format.

(In thousands of Reais)

b. *Portfolio by maturity, customer type and economic activity*

	Bank						
		Contracts not yet due					
	Contracts overdue equal to or more than 15 days (b.1)	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Total	2007
Industry	63	11,025	1,718	-	-	12,806	10,034
Commerce	696	3,911	3,184	5,381	247	13,419	725
Services	667	27,367	46,109	21,594	341	96,078	88,795
Individuals	97,389	63,111	162,659	370,825	138,282	832,266	855,764
Total – 2008	98,815	105,414	213,670	397,800	138,870	954,569	955,318
Total – 2007	78,519	93,663	343,706	366,634	72,796	955,318	

(b.1) Classified in Current Assets. These amounts are represented by the total balance with debtors that have at least one overdue installment.

(In thousands of Reais)

	Consolidated						
		Contracts not yet due					
	Contracts overdue equal to or more than 15 days (b.1)	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**More than 3 years**	**Total**	**2007**
Industry	63	11,025	1,718	-	-	12,806	10,034
Commerce	696	3,911	3,184	5,381	247	13,419	725
Services	667	27,367	46,109	21,594	341	96,078	88,795
Individuals	112,898	76,212	202,312	458,485	138,282	988,189	1,111,006
Total – 2008	114,324	118,515	253,323	485,460	138,870	1,110,492	1,210,560
Total – 2007	80,309	143,959	443,744	469,752	72,796	1,210,560	

(b.1) Classified in Current Assets. These amounts are represented by the total balance with debtors that have at least one overdue installment.

(In thousands of Reais)

c. *Portfolio by risk grade*

				Bank			
				2008		2007	
Level	Status	Days overdue	% of Provision	Total	Provision	Total	Provision
AA	Current		-			-	-
A	Current		0.50%	712,891	3,565	800,368	4,002
B	Current			96,441	964	43,849	438
	Overdue	15 to 30	1.00%	32,886	329	26,036	260
C	Current			41,697	1,251	29,173	875
	Overdue	31 to 60	3.00%	15,938	478	15,631	469
D	Current			1,727	173	1,311	131
	Overdue	61 to 90	10.00%	10,843	1,084	9,902	990
E	Current			546	164	366	110
	Overdue	91 to 120	30.00%	10,137	3,041	5,671	1,701
F	Current			570	285	321	160
	Overdue	121 to 150	50.00%	5,268	2,634	3,707	1,853
G	Current			252	176	181	127
	Overdue	151 to 180	70.00%	4,176	2,923	2,998	2,099
H	Current	More than		1,630	1,630	1,231	1,231
	Overdue	180	(c.1) 100.00%	19,567	19,567	14,573	14,573
	Total			954,569	38,264	955,318	29,019

(c.1) It includes a provision over the total operations carried out inappropriately, involving the agreement with the City Hall of Itaperaçu in the amount of R$ 927.

Notes to the financial statements

(In thousands of Reais)

				Consolidated			
				2008		2007	
Level	Status	Days overdue	% of Provision	Total	Provision	Total	Provision
AA	Current		-			-	-
A	Current		0.50%	843,619	3,601	1,030,779	6,344
B	Current			98,821	988	54,531	545
	Overdue	15 to 30	1.00%	36,320	363	26,978	270
C	Current			42,978	1,289	31,917	958
	Overdue	31 to 60	3.00%	17,933	538	15,910	477
D	Current			2,801	280	3,053	305
	Overdue	61 to 90	10.00%	13,020	1,302	10,106	1,011
E	Current			1,268	380	1,422	427
	Overdue	91 to 120	30.00%	11,239	3,372	5,812	1,744
F	Current			1,261	631	1,216	608
	Overdue	121 to 150	50.00%	6,135	3,068	3,799	1,900
G	Current			706	494	876	613
	Overdue	151 to 180	70.00%	4,689	3,282	2,998	2,099
H	Current	More than		4,714	4,714	6,457	6,457
	Overdue	180	(c.1) 100.00%	24,988	24,988	14,706	14,706
	Total			1,110,492	49,290	1,210,560	38,464

(c.1) It includes a provision over the total operations carried out inappropriately, involving the agreement with the City Hall of Itaperaçu in the amount of R$ 927.

(In thousands of Reais)

d. Movements on allowance for doubtful loans

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Balances at beginning of the year	29,019	24,024	38,464	24,569
Charged in the year	35,584	27,492	37,164	36,391
Written off	(26,339)	(22,497)	(26,338)	(22,496)
Balances at the end of the year	38,264	29,019	49,290	38,464
Losses recovered	6,229	4,042	6,229	4,042

The allowance for doubtful loans related to credit assignment agreements under co-obligation in the amount of R$ 2,179 is represented in "Other liabilities – other".

e. Concentration of loans and credit risk

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Ten largest customers	86,444	92,527	86,444	92,527
Percentage of the loan portfolio	9,06%	9,69%	7,78%	7,64%
Next fifty largest customers	25,174	7,391	25,174	7,391
Percentage of the loan portfolio	2,64%	0,77%	2,27%	0,61%

f. Renegotiated and refinanced loans

The balance of refinanced and renegotiated loans at December 31, 2008 was R$ 506,170 (R$ 257,043 in 2007). The amount presented was calculated based on the criteria described in BACEN Resolution 2682/99, which considers as renegotiation any agreement or change in the terms of maturity and payment conditions originally agreed to.

g. Credit assignment

By way of a credit assignment agreement with co-obligation, the Bank assigned to other financial institutions receivables deriving from financing awarded as personal loans under consignment, to the amount of R$ 340,136 (R$ 20,079 in 2007), recording a gross gain of R$ 5,898 (R$ 2,292 in 2007) or R$ 3,539 (R$ 2,336 in 2007), net of taxes. This gain is composed of R$ 29,242 (R$ 3,093 in 2007) recorded in income from loans and R$ 23,344 (R$ 801 in 2007) recorded in other administrative expenses – commissions and brokerages fees. As of December 31, 2008, the outstanding balance of these assignments was R$ 220,463 (R$ 42,417 in 2006).

By way of a credit assignment agreement without co-obligation, the Bank also assigned to the FIDCs amounts deriving from financing awarded as personal loans under consignment, to the amount of R$ 194,565 (R$ 353,731 in 2007), recording a gain of R$ 7,012 (R$ 36,702 in 2007), recorded as income from loans. In Consolidated, the portfolio assigned to the FIDCs is recorded in loans and the respective income is recognized on a daily pro rata basis until the balance sheet date.

Cooperation agreements were signed with other financial institutions, for assigning credits for different periods, for a maximum value of up to R$ 880,000. The balance available and not used from these agreements at December 31, 2008 was R$ 457,114 (R$ 246,640 in 2007).

(In thousands of Reais)

7 Insurance and reinsurance operations receivables - Consolidated

	2008
Premiums receivable (a)	
Financial guarantee	1,886
Guarantee of private obligations	14,956
Guarantee of public obligations	63,200
Guarantee of public concessions	9,461
Judicial guarantee	38,866
Domestic credit – Corporate risk	421
Retrocession	1
Sub-total	128,791
Profit sharing in reinsurance policies ceded	10,828
Other operating credits	2,079
Total	141,698
Current	109,632
Non-current assets	32,066

(a) Premiums receivable includes directly issued insurance and reinsurance premiums, accepted coinsurance as well as retrocession operations.

(In thousands of Reais)

8 Other receivables - other

Current

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Prepaid income and social contribution taxes	-	-	8,981	-
Deferred income and social contribution taxes	3,064	1,629	3,652	5,211
Other deferred taxes	-	-	72	514
Purchases billable – Mastercard (a)	4,337	179	4,337	179
Accredited agencies (b)	3,293	2,840	3,293	2,840
Taxes recoverable	1,646	-	3,106	541
Other receivables from other institutions	203	720	203	720
Other	803	896	985	980
Total	13,346	6,264	24,629	10,985

(a) Refers to amounts receivable, by invoice issued to the credit card holders. This amount represents the total of the invoices in the month, the balance of which can be paid in full or to the minimum amount, in which case it is financed with revolving credit.

(b) Refers to amounts received from accredited agencies, corresponding to collection of loan installments, to be offset against outstanding amounts recorded in the current liabilities.

Non-current

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Deferred income and social contribution taxes	11,929	6,520	12,684	8,947
Judicial deposits	1,565	1,616	1,565	1,616
Intercompany balance receivable	-	-	-	2,906
Other deferred taxes	-	-	92	348
Other	-	-	88	2
Total	13,494	8,136	14,429	13,819

9 Subsidiaries - Domestic

	Bank						
	Tresor Holdings S.A. (a)	Paraná Administradora de Consórcio Ltda. (b)	J. Malucelli Vida e Previdência S.A. (c)	Porto de Cima Holding Ltda. (d)	J. Malucelli Agenciamento e Serviços Ltda. (e)	J. Malucelli Participações em Seguros e Resseguros S.A. (f)	Total
December 31, 2008							
Information of subsidiaries							
Number of outstanding quotas/shares (in thousands)	39	13,212	16,000	102,815	5	70,000	
Shareholders' equity	12,697	268	17,567	120,014	(111)	74,470	
Net income for the year	2,597	16	1,128	14,724	(121)	4,470	
Information of investment in subsidiaries							
Number of quotas/shares owned (in thousands)	39	13,211	15,999	102,815	5	70,000	
Percentage of interest	100.00%	99.99%	99.99%	100.00%	99.98%	100.00%	
Movement of balances							
Beginning balances	10,739	251	7,838	41,274	9	-	60,111
Acquisition of investments	-	-	8,600	64,016	-	70,000	142,616
Equity in operating earnings	2,597	16	1,127	14,724	(120)	4,470	22,814
Dividends	(638)	-	-	-	-	-	(638)
Balances in investment	12,698	267	17,565	120,014	(111)	74,470	224,903
Balances with the Bank							
Assets	10	377	7	1	268	-	
Income	-	25	-	-	11,962	-	
Main accounts in balance sheet and statement of income							
Assets							
Cash and cash equivalents	10	3	7	1	291	-	
Short-term investments	-	377	17,618	-	-	-	
Investment in associated company	12,421	-	-	67,896	-	74,470	
Investment in associated company - goodwill	-	-	-	49,625	-	-	
Other	311	16	584	-	1,928	-	
Liabilities	(45)	(128)	(642)	-	(2,330)	-	
Shareholders' equity	12,697	268	17,567	120,014	(111)	74,470	
Income	2,597	25	1,904	14,724	12,140	4,470	
Expenses	-	(9)	(777)	-	(12,261)	-	

(a) Holding company of an investment of 15% in the ordinary shares in the subsidiary company J Malucelli Seguradora S.A. The calculation of equity in income in the Insurance Company was made based on the financial statements at December 31, 2008, with the main balances being: (1) volume of shares held - 1,264,140 ordinary shares; (2) shareholders' equity - R$ 82,809; (3) net profit for the year - R$ 17,322; (4) value of investment - R$ 12,421; (5) equity in income of investment - R$ 2,597.

(b) Investment acquired on April 4, 2006; the company is inactive.

(c) Company incorporated on October 17, 2006, and homologated, according to Ruling 2.731 of August 13, 2007, from the Superintendency for Private Insurance - SUSEP. The company is at the pre-operational stage.

(d) Holding company of an investment of 85% of the ordinary shares in the subsidiary company J Malucelli Seguradora S.A. The calculation of equity in net income in the Insurance Company was made based on the financial statements at December 31, 2008, with the main balances being: (1) volume of shares held - 7,163,457 ordinary shares; (2) shareholders' equity - R$ 82,809; (3) net profit for the year - R$ 17,322; (4) value of investment - R$ 120,013; (5) equity in income of investment - R$ 14,724. The goodwill calculated on the purchase of this investment refers to the difference between the value from issuing the Bank's shares arising from exercising the subscription from the first and second bonus, exercised by Advent International on August 29, 2007 and January 15, 2008, and the book value of the Insurance Company's shares at July 31, 2007.

(e) This company was purchased on December 28, 2007. This company operates in the rendering of the advisory and control services for discount operations in the payroll, and in the control and implementation of the franchised correspondents of the Bank and provides its own infrastructure for attending the public within the locations the Bank is interested in. This investment is presented as "Investment - Provision for losses".

(f) Holding company of the investment in the indirect subsidiary J. Malucelli Resseguradora S.A. This company started its operations on June 2, 2008.

9 Subsidiaries - Domestic (continued)

	Bank							
	Tresor Holdings S.A. (a)	Paraná Administradora de Consórcios Ltda. (b)	J. Malucelli Vida e Previdência S.A. (c)	J. Malucelli Consultoria Empresarial S.A. (d)	J. Malucelli DTVM Ltda. (e)	Porto de Cima Holding Ltda. (f)	J. Malucelli Agenciamento e Serviços Ltda. (g)	Total
December 31, 2007								
Information of subsidiaries								
Number of outstanding quotas/shares (in thousands)	39	13,212	7,400	-	-	38,799	5	
Shareholders' equity	10,739	251	7,839	-	-	41,274	9	
Net income (loss) for the year	1,468	27	439	-	-	2,475	45	
Information of investment in subsidiaries								
Number of quotas/shares owned (in thousands)	39	13,211	7,399	-	-	38,799	5	
Percentage of interest	100.00%	99.99%	99.99%	-	-	100.00%	99.98%	
Movement of balances								
Beginning balances	35,737	224	7,399	5	2,955	-	-	46,320
Acquisition of investments	-	-	-	-	-	38,799	5	38,804
Disposals of investments	-	-	-	(5)	(2,650)	-	-	(2,655)
Reduction of capital	(25,827)	-	-	-	-	-	-	(25,827)
Equity in operating earnings (losses)	1,469	27	439	-	192	2,475	4	4,606
Dividends	(640)	-	-	-	(497)	-	-	(1,137)
Balances in investment	10,739	251	7,838	-	-	41,274	9	60,111
Balances with the Bank								
Assets	649	374	8	-	-	1	2,238	
Income	295	44	-	-	-	-	1,735	
Main accounts in balance sheet and statement of income								
Assets								
Cash and cash equivalents	649	3	8	-	-	1	61	
Short-term investments	-	374	7,826	-	-	-	-	
Investment in associated company	9,823	-	-	-	-	26,195	-	
Investment in associated company - Goodwill	-	-	-	-	-	15,078	-	
Other	312	5	200	-	-	-	5,785	
Liabilities	(45)	(131)	(195)	-	-	-	(5,837)	
Shareholders' equity	10,739	251	7,839	-	-	41,274	9	
Income	1,622	56	760	-	-	2,622	1,991	
Expenses	(154)	(29)	(321)	-	-	(147)	(1,946)	

(a) Holding company of the 30% investment in the associated company J. Malucelli Seguradora S.A. The equity in the net income of the insurance company was calculated based on the financial statements as of December 31, 2007, where the main balances of this associated company at this date are: (1) number of shares held - 1,264,139 (2) shareholders' equity – R$ 65,487 (3) net income for the year - R$ 11,897 (4) investment value - R$ 9,823 and (5) equity in earnings - R$ 1,327.

(b) Investment acquired on April 4, 2006; the company is inactive.

(c) The company was incorporated on October 17, 2006, and homologated according to Ruling 2,731 from SUSEP – Superintendency for Private Insurance. The company is at the pre-operational stage.

(d) Investment acquired on September 4, 2006; and sold in February 1,2007.

(e) Its activities are mainly the administration of investment funds. The company was sold on February 16, 2007, to the Bank's shareholders, at the book value of R$ 2,650, therefore, no income was calculated from this transaction.

(f) Holding company of an investment of 19% of the ordinary shares and 61% of the preferred shares (equivalent to 40% capital) in the associated company J Malucelli Seguradora S.A. The calculation of equity in net income in the Insurance Company was made based on the financial statements at December 31, 2007, with the main balances being: (1) volume of shares held - 800,622 ordinary shares and 2,570,418 preferred shares; (2) shareholders' equity - R$ 65,487; (3) net profit for the year - R$ 11,897; (4) value of investment - R$ 41,273; (5) equity in income of investment - R$ 2,622. The goodwill calculated on the purchase of this investment refers to the difference between the value from issuing the Bank's shares arising from exercising the subscription from the first bonus, exercised by Advent International on August 29, 2007, and the book value of the Insurance Company's shares at July 31, 2007.

(g) Company purchased on December 28, 2007. This company operates in the rendering of the advisory and control services for discount operations in the payroll, and in the control and implementation of the franchised correspondents of the Bank and provides its own infrastructure for attending the public within the locations the Bank is interested in.

Paraná Banco S.A.

Notes to the financial statements

(In thousands of Reais)

10 Deferred charges and Intangible assets

Deferred charges		Bank and Consolidated			
		2008		2007	
	Annual rate of amortization (%)	Cost of acquisition	Accumulated amortization	Cost of acquisition	Accumulated amortization
Leasehold improvements	20	109	(91)	109	(82)
Other deferred expenses	20	1,144	(418)	759	(342)
Total – Bank		1,253	(509)	868	(424)
Leasehold improvements	20	205	(163)	109	(82)
Other deferred expenses	20	19	(5)	19	(3)
Total – Consolidated		224	(168)	128	(85)

(In thousands of Reais)

Intangible assets	**Consolidated**				
		2008		**2007**	
	Annual rate of amortization (%)	**Cost of acquisition**	**Accumulated amortization**	**Cost of acquisition**	**Accumulated amortization**
Goodwill on the acquisition of subsidiaries **(a)**	20	64,074	(9,346)	-	-
Expenditures with the development of computer equipment	20	1,642	(342)	740	(339)
Total		65,716	(9,688)	740	(339)

(a) It includes the goodwill on the merger of Fors Holdings S.A. in the amount of R$ 49,625, which was fully provisioned for on the date of the merger (note 23.g). The expenditure with amortization of the goodwill in 2008 was R$ 2,888 and is presented in "Other operating expenses".

11 Deposits

The breakdown by maturity term follows:

Bank

	Demand and other deposits		**Interbank deposits**		**Time deposits**	
Maturity	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
On demand	8,223	1,749	-	-	-	-
Up to 90 days	-	-	65,571	55,036	106,704	227,373
From 91 to 360 days	-	-	-	2,101	72,739	80,304
More than 360 days (a)	-	-	-	6,423	393,436	204,946
Total	8,223	1,749	65,571	63,560	572,879	512,623

(In thousands of Reais)

Consolidated

	Demand and other deposits		Interbank deposits		Time deposits	
Maturity	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
On demand	7,325	1,059	-	-	-	-
Up to 90 days	-	-	65,571	55,036	106,704	227,113
From 91 to 360 days	-	-	-	2,101	126,967	205,544
More than 360 days (a)	-	-	-	6,423	462,695	289,917
Total	7,325	1,059	65,571	63,560	696,366	722,574

(a) As of December 31, 2008, the time deposits, within the maturity term of over 360 days, were obtained at rates ranging between 13.39% to 16.60% (12.05% to 12.06% in 2007) per annum in the fixed transactions and 98% to 113% (105% to 107%) of the variation recorded by theInterbank Deposit Certificates in floating transactions.

12 Money market repurchase commitments (Bank and Consolidated)

Refer to repurchase operations to settle, tied to federal government bonds, in the amount of R$ 5,998 (R$ 1,386 in 2007), maturing by January 2, 2009.

13 Acceptances and endorsements (Bank and Consolidated)

Refers to obligations on securities issued abroad obtained by issuing fixed rate notes to the amount of USD 40,000 thousand (USD 31,000 thousand in 2000), as follows:

Tranche (In thousands of US$)	Maturity	Annual interest rate	2008	2007
6,000	13/02/2008	7,9852%	-	11,804
20,000	27/11/2008	7,6543%	-	35,696
5,000	13/02/2009	7,5209%	13,326	9,422
35,000	08/08/2011	7,7500%	84,355	-
Total			97,681	56,922
Current			13,326	47,500
Non-current			84,355	9,422

14 Insurance and reinsurance operation liabilities - Consolidated

	2008
Operations with insurers	1,599
Operations with reinsurers	68,259
Commission payable on premiums issued	14,920
Deferred commission income	26,485
Other	3,438
Total	114,701
Current	79,072
Non-current liabilities	35,629

(In thousands of Reais)

15 Technical provisions – Consolidated

	December 31, 2008			
	Premium deficiency reserve (PDR)	Outstanding claims provision (PSL)	Provision for Claims Incurred but Not Reported (IBNR)	Total
Class of business				
Financial guarantee	658	-	-	658
Guarantee of private obligations	13,958	4,092	-	18,050
Guarantee of public obligations	18,565	2,724	-	21,289
Guarantee of public concessions	4,535	-	-	4,535
Judicial guarantee	10,977	-	-	10,977
Domestic credit – Corporate risk	170	-	-	170
DPVAT	-	11,959	1,110	13,069
Retrocession	-	736	8	744
Sub-total	48,863	19,511	1,118	69,492
Other provisions				1,203
Total				70,695
Current				51,289
Non-current liabilities				19,406

(In thousands of Reais)

16 Other liabilities – other

Current	Bank 2008	Bank 2007	Consolidated 2008	Consolidated 2007
Provision for payments related to other Administrative expenses	3,283	3,974	5,639	1,768
Repasses to assignees (a)	36,269	34,916	36,269	26,628
Accounts payable – credit card (b)	3,843	211	3,843	211
Provision for return of fees on anticipated settlement of contracts (c)	5,675	-	5,675	-
Allowance for doubtful loans assigned under co-obligation	2,179	-	2,179	-
Other creditors – domestic	4,986	18,318	436	18,318
Borrowings	-	-	-	4,538
Other	942	4,373	942	4,568
Total	57,177	61,792	54,983	56,031

(a) Refers to loan amounts paid by customers, where the transaction to be written off in the loan portfolio has not yet been identified, and the amounts to be passed through to the assignees, referring to assigned credit, which is collected by the Bank.

(b) Refers to amounts payable to storekeepers.

(c) Refers to the reimbursement of fees charged to clients from credit contracts, for which there were no provisions for charges.

Non-current	Bank 2008	Bank 2007	Consolidated 2008	Consolidated 2007
Provision for civil contingencies	4,530	3,256	4,530	3,256
Provision for labor contingencies	1,210	1,330	1,333	1,330
Advances from customers	-	-	1,673	914
Consortium funds not sought	-	-	128	128
Total	5,740	4,586	7,664	5,628

(In thousands of Reais)

17 Provision for contingencies (Bank and Consolidated)

The Bank and its subsidiaries are part of judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.

a. Composition of provisions

Based on information from its legal advisors, an analysis of the pending legal proceedings, and previous experience with regards to amounts claimed at labor courts, management recorded provisions for amounts considered sufficient to cover losses from the current actions, as follows:

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Civil	4,530	3,256	4,530	3,256
Civil – Insurance Claims	-	-	2,816	-
Labor	1,210	1,330	1,333	1,330
Tax	1,904	1,721	1,904	1,721
Total	7,644	6,307	10,583	6,307

b. Movements in the provisions

	2008				
	Balances as of January 1	**Additions to the provision**	**Reversals**	**Paid**	**Balances as of December 31**
Civil	3,256	3,183	(807)	(1,102)	4,530
Labor	1,330	365	(485)	-	1,210
Tax	1,721	183	-	-	1,904
Total – Bank	6,307	3,731	(1,292)	(1,102)	7,644
Total - 2007	4,632	4,040	(1,552)	(813)	6,307

(In thousands of Reais)

	2008				
	Balances as of January 1	**Additions to the provision**	**Reversals**	**Paid**	**Balances as of December 31**
Civil	3.256	3.183	(807)	(1.102)	4.530
Civil – Insurance Claims (*)	-	2.816	-	-	2.816
Labor	1.330	488	(485)	-	1.333
Tax	1.721	183	-	-	1.904
Total – Consolidated	6.307	6.670	(1.292)	(1.102)	10.583
Total - 2007	4.632	4.040	(1.552)	(813)	6.307

(*) This addition is resulting from the consolidation of J Malucelli Seguradora S.A. as from the first quarter of 2008.

c. *Asset and liabilities contingencies*

There are other proceedings, as of December 31, 2008, assessed by the Bank's legal counsels as being a possible or remote risk relating to labor and civil claims to the amount of R$ 735 and R$ 19,128 (R$ 655 and R$ 6,589 in 2007), respectively, for which no provision was recorded considering that accounting practices adopted in Brazil do not require it to be recorded.

The Bank has other contingencies, as of December 31, 2008, involving tax issues to the estimated amount of R$ 2,507 (R$ 2,234 in 2007) rated as a possible or remote risk, for which no provision for losses has been recorded in the financial statements. The main proceedings are as follows:

- Social contribution: Proceeding contesting the tax assessment issued to collect the social contribution on the IPC 90 monetary restatement difference, a risk management estimates at R$ 1.106 (R$ 986 in 2007).

- INSS on freelance workers: judicial proceeding to dismiss the assessment notice referring to the demand for social security contributions resulting from workers being deemed not to be freelance. Bank management estimates the risk involved to be R$ 1,368 (R$ 1,219 in 2006).

No contingency gains were recorded in the years ended December 31, 2008 and 2007.

(In thousands of Reais)

18 Income and social contribution taxes

a. *Current year tax charge*

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Net income before taxes on income	82,973	77,933	101,796	84,421
Income and social contribution taxes charge at the nominal rates of 25% and 15%, respectively	(33,189)	(26,497)	(40,718)	(28,703)
Permanent deductions (additions)	28,729	12,463	23,049	12,061
Equity share in earnings of subsidiaries and associated company	9,126	1,566	-	1,342
Interest on own capital	16,556	10,433	16,556	10,433
Other	3,047	464	6,493	286
Income and social contribution taxes charged to income for the year	(4,460)	(14,034)	(17,669)	(16,642)

b. *Income and social contribution taxes reported in the statement of income*

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Deferred taxes – Tax credits taken/realized on timing differences	9,419	12,955	9,027	11,128
Current taxes – Income and social contribution taxes Payable	(13,879)	(26,989)	(26,696)	(27,770)
Total	(4,460)	(14,034)	(17,669)	(16,642)

Paraná Banco S.A.

Notes to the financial statements

(In thousands of Reais)

c. *Origin of deferred taxes*

	Bank		
	2008		
Description	Balances as of January 1	Constitution/ realization	Balances as of December 31
Deferred income and social contribution taxes - assets			
On allowance for doubtful loans	6,590	6,025	12,615
On provision for tax, labor and civil contingencies	1,559	737	2,296
On market value adjustment of securities	-	82	82
	8,149	6,844	14,993
Deferred income and social contribution taxes – liabilities			
On deferred commission	3,674	(2,657)	1,017
On market value adjustment of securities	11	(11)	-
	3,685	(2,668)	1,017

(In thousands of Reais)

Description	Consolidated		
	2008		
	Balances as of January 1	Constitution/ realization	Balances as of December 31
Deferred income and social contribution taxes - assets			
On unearned income arising from transactions with the FIDCs	6,009	(4,666)	1,343
On allowance for doubtful loans	6,509	6,025	12,615
On provision for tax, labor and civil contingencies	1,559	737	2,296
On market value adjustment of securities	-	82	82
	14,158	2,178	16,336
Deferred income and social contribution taxes – liabilities			
On deferred commission	8,378	(6,931)	1,447
On market value adjustment of securities	11	(11)	-
	8,389	(6,942)	1,447

(In thousands of Reais)

Description	Bank 2007 Balances as of January 1	Constitution/ realization	Balances as of December 31
Deferred income and social contribution taxes - assets			
On allowance for doubtful loans	3,271	3,319	6,590
On provision for tax, labor and civil contingencies	874	685	1,559
On market value adjustment of securities	5	(5)	-
	4,150	3,999	8,149
Deferred income and social contribution taxes – liabilities			
On deferred commission	12,625	(8,951)	3,674
On market value adjustment of securities	-	11	11
Net deferred income taxes - assets	12,625	(8,940)	3,685

(In thousands of Reais)

	Consolidated		
	2007		
Description	**Balances as of January 1**	**Constitution/ realization**	**Balances as of December 31**
Deferred income and social contribution taxes - assets			
On unearned income arising from transactions with the FIDCs	4,067	1,942	6,009
On allowance for doubtful loans	3,271	3,319	6,590
On provision for tax, labor and civil contingencies	874	685	1,559
On market value adjustment of securities	5	(5)	-
	8,217	5,941	14,158
Deferred income and social contribution taxes – liabilities			
On deferred commission	13,560	(5,182)	8,378
On market value adjustment of securities	-	11	11
Net deferred income taxes - assets	13,560	(5,171)	8,389

(In thousands of Reais)

d. Projected realization of deferred tax assets on timing differences

Bank

	2008			
	Income tax	**Social contribution tax**	**Total**	**2007**
2007	-	-	-	1,629
2008	1,915	1,149	3,064	1,629
2009	1,864	1,119	2,983	1,629
2010	1,864	1,118	2,982	1,631
2011	1,864	1,118	2,982	1,631
2012	1,864	1,118	2,982	-
Total	9,371	5,622	14,993	8,149

The present value of the deferred tax assets, considering the average interbank rates, net of the tax impact is R$ 10,438 (R$ 5,665 in 2007).

Consolidated

	2008			
	Income tax	**Social contribution tax**	**Total**	**2007**
2007	-	-	-	5,211
2008	2,295	1,377	3,672	4,058
2009	2,323	1,395	3,718	1,631
2010	1,864	1,118	2,982	1,629
2011	1,864	1,118	2,982	1,629
2012	1,864	1,118	2,982	-
Total	10,210	6,126	16,336	14,158

The present value of the deferred tax assets, considering the average interbank rates, net of the tax impact is R$ 11,472 (R$ 10,706 in 2007).

e. Unrecognized deferred tax assets

The Bank and its subsidiaries have no tax credits which were not recorded in the financial statements as of December 31, 2008 and 2007.

19 Shareholders' equity

a. Capital

The Bank's fully subscribed and paid in share capital consists of 56,724,976 (60,000,000 in 2007) common nominative shares and 36,364,205 preferred shares, held by shareholders domiciled in Brazil, and 13,888,551 preferred shares, held by shareholders domiciled abroad; all shares with no nominal value.

In the Management Council Meeting, held on July 7, 2008, the counselors approved the conversion of 3,875,024 common shares issued by the Bank into 3,875,024 preferred shares, in accordance with the order sent by the total shareholders, who own common shares issued by the Bank to the Board of Directors, at the ratio of 1 (one) common share for 1 (one) preferred share. The shares to be converted will have the same rights currently assured to the existing preferred shares. The efficiency of the deliberation approved is conditioned to ratification by the Central Bank of Brazil.

b. Treasury shares

The Bank holds in treasury a total of 3,371,300 (1,159,700 in 2007) preferred shares from its own issue, purchased on the market, for the amount of R$ 17,786 (R$ 10,442 in 2007) for future sale and/or cancellation. The market value of these shares, at December 31, 2008, was R$ 8,429 (R$ 10,089 in 2007).

In the Management Council Meeting, held on July 7, 2008, the counselors approved the end of the first repurchasing program started in October 19, 2007, which purchased 4,155,600 preferred shares and cancelled the aforementioned shares, without reducing the capital stock through the absorption of R$ 36,726 in the "Retained earnings - reserve to complement the shareholders' equity".

c. *Capital reserve*

Refers to the restatement of the CETIP financial securities, which is conducted based on information provided by this entity.

d. *Earnings reserves*

The legal reserve is formed by 5% of the net income for the year, limited to 20% of the capital.

The statutory reserve refers to the reserve to complement the shareholders' equity, the objective of which is to guarantee funds to comply with regulatory and operational requirements related to the value of the Bank and its subsidiaries' shareholders' equity, which can be converted to capital through a decision during a Board of Directors Meeting, observing the limit for authorized capital, and observing the proposal of the Board of Directors, and can consist of up to 100% of the net profit remaining after the allocations to the legal reserve and the minimum compulsory dividend, but can not exceed the value of capital.

The Board of Directors, in accordance with the statutory provisions, performs the proposal for destination of the net profit of the year after the constitution of the legal reserve and the performance of the minimum mandatory payment of dividends, which is taken to the approval of the Ordinary General Meeting.

e. *Dividends and interest on own capital*

Shareholders are assured minimum dividends of 25% of the net income for the year, adjusted pursuant to corporation law. The interest on shareholders' equity is calculated according to the criteria specified by existing tax legislation. The accounting records comply with the accounting guidelines issued by the Brazilian Central Bank, where the expense incurred is reclassified from the statement of income to retained earnings, in order to prepare and publish the financial statements in accordance with Circular 2739, article 3, issued by the Brazilian Central Bank on February 19, 1997. This interest lowered the tax charges recorded in the statement of income by R$ 16,556 (R$ 10,433 in 2007).

(In thousands of Reais)

The statement calculating the dividends and interest on shareholders' equity is presented below:

	2008	2007
Consolidated net income for the year	84,127	67,779
(+) Unearned income arising from transactions with the FIDC	(5,614)	(3,880)
Net income for the year – Bank stand alone	78,513	63,899
(-) Legal reserve	(3,926)	(3,195)
(+) Change of accounting policy (a)	-	24,505
Calculation basis	74,587	85,209
Minimum dividends (25% of calculation basis)	18,647	21,302
Interest on own capital	41,389	30,682
Dividends	-	-
Total of interest on own capital and dividends paid/credited	41,389	30,682

(a) Bank management decided, voluntarily, to include the prior year adjustments resulting from the change in accounting practice (see note 3.m) in the calculation base for dividends and interest on own capital for 2007.

(In thousands of Reais)

20 Related party transactions

Bank

Description	**Liabilities**	**Income**	**Expenses**
	2008		
Demand deposits	1,152	-	-
Time deposits	105,099	-	12,344
Director's remuneration	-	-	2,836
Services rendered	-	-	11,962
Reimbursement of income/expenses	-	82	1,597
Rent	-	108	-

Bank

Description	**Liabilities**	**Income**	**Expenses**
	2007		
Demand deposits	826	-	-
Time deposits	89,252	-	10,740
Other accounts payable	2,206	-	-
Director's remuneration	-	-	1,190
Services rendered	-	-	1,185
Reimbursement of income/expenses	-	105	3,261
Rent	-	106	-

(In thousands of Reais)

Consolidated

	2008		
Description	**(Assets) Liabilities**	**Income**	**Expenses**
Demand deposits	254	-	-
Time deposits	104,722	-	12,319
Director's remuneration	-	-	3,413
Reimbursement of income/expenses	-	-	1,597
Rent	-	18	-

Consolidated

	2007		
Description	**Liabilities**	**Income**	**Expenses**
Loans	(2,906)	256	-
Demand deposits	136	-	-
Time deposits	88,878	-	10,394
Director's remuneration	-	-	1,190
Services rendered	-	-	1,185
Reimbursement of income/expenses	-	86	1,506
Rent	-	90	-

The time deposits and other transactions with related parties are executed on an arm's-length basis.

(In thousands of Reais)

21 Other administrative expenses

	Bank		Consolidated	
	2008	2007	2008	2007
Commissions and brokerage	(60,109)	(72,358)	(102,563)	(59,528)
Specialized technical services	(24,216)	(15,831)	(19,366)	(15,958)
Data processing	(4,225)	(2,666)	(4,313)	(2,673)
Advertising and marketing	(2,927)	(1,332)	(4,074)	(1,448)
Graphic Services	(1,289)	(543)	(1,524)	(734)
Financial system service expenses	(945)	(1,650)	(2,075)	(1,650)
Communications	(2,470)	(1,410)	(3,273)	(1,571)
Transportation	(445)	(691)	(1,240)	(764)
Rent	(635)	(196)	(2,678)	(616)
Special Offers and Public Relations	(794)	(722)	(992)	(722)
Maintenance Material	(552)	(525)	(1,711)	(564)
Stationary	(161)	(440)	(1,095)	(472)
Publishing	(143)	(717)	(194)	(717)
Expenses with agreement fees	(2,519)	(1,923)	(4,342)	(1,923)
Travel	(872)	(560)	(2,165)	(622)
Other	(4,549)	(5,148)	(5,314)	(6,675)
Total	(106,851)	(106,712)	(156,919)	(96,637)

The expenses from the IPO amounted to R$ 19,506, during the year ended December 31, 2007, and were recorded as commission and brokerage fees - R$ 16.472, specialized technical services - R$ 2.565, and others - R$ 469.

(In thousands of Reais)

22 Other operating income and expenses

	Bank		Consolidated	
	2008	**2007**	**2008**	**2007**
Other income				
Fee charged on early payment	17,681	14,475	17,681	14,475
Recovery of expenses and charges	641	360	23	360
Foreign exchange variation	2,521	9,656	2,521	9,656
Reversal of provision for contingencies	1,292	1,552	1,292	1,552
Interest from insurance policies	-	-	2,942	-
Income from cost of policies issued	-	-	1,639	-
Profit sharing in reinsurance policies ceded to IRB	-	-	2,842	-
Other	134	377	212	719
Total	22,269	26,420	29,152	26,762
Other expenses				
Monetary correction of provisions	(207)	-	(207)	-
Provision for return of fees on anticipated settlement of contracts	(7,217)	-	(7,217)	-
Losses with ceded loans	(6,764)	(3,926)	(15,386)	(6,615)
Provision for contingencies	(3,585)	(4,720)	(3,630)	(4,720)
Other expenses from insurance operations	-	-	(45)	-
Goodwill amortization	-	-	(2,888)	-
Reversion of profit sharing of IRB	-	-	(152)	-
Other	(418)	(867)	(466)	(918)
Total	(18,191)	(9,513)	(29,991)	(12,253)

(In thousands of Reais)

23 Financial instruments

The main financial instruments as of December 31, 2008 and 2007 refer to securities, which are valued at market value and disclosed in note 6, the loans, time deposits and acceptances and endorsements, whose market values are:

	Bank					
	2008			2007		
	Account balance	Market value	Unrealized gains (losses)	Account balance	Market value (a)	Unrealized gains (losses)
Loans	954,569	1,034,524	79,955	955,318	1,116,489	161,171
Time deposits	(572,879)	(571,546)	1,333	(512,623)	(510,549)	2,074
Acceptances and endorsements	(97,681)	(99,399)	(1,718)	(56,922)	(56,318)	604

	Consolidated					
	2008			2007		
	Account balance	Market value	Unrealized gains (losses)	Account balance	Market value (a)	Unrealized gains (losses)
Loans	1,110,492	1,191,503	81,011	1,210,560	1,396,554	185,994
Time deposits	(696,366)	(695,033)	1,333	(722,574)	(720,499)	2,075
Acceptances and endorsements	(97,681)	(99,399)	(1,178)	(56,922)	(56,318)	604

The market values were calculated by discounting cash flows according to the ruling contractual conditions and market rates of the credit assignment operations at the reporting date. The carrying value of the other financial instruments approximates the market value at the reporting date.

(a) These balances were recalculated, for comparison purposes, based on the methodology adopted in 2008.

(In thousands of Reais)

a. Credit risk

The Bank's credit policies are established by Management and aim to minimize possible problems arising from defaults by clients. This objective is achieved from careful credit analysis of the client portfolio, and considers the ability to make payment (credit analysis) and diversification of products (risk is spread). The Bank also has an allowance for doubtful loans, for the amount of R$ 38,264 (R$ 29,019 in 2007) and R$ 49,290 (R$ 38,464 in 2007) in Consolidated, to cover credit risk, beyond the provision in the amount of R$ 2.179 to face the losses with ceded loans.

b. Foreign exchange rate risk

The Bank's results are subject to significant variations from the effects of fluctuations in the foreign exchange rate on liabilities tied to foreign currencies, mainly the US dollar, which closed 2008, reporting a valuation of 9.35% (devaluation of 17.2% in 2007).

As a prevention strategy and a means of reducing the effects from fluctuations in exchange rates, Management has adopted a policy of partial hedging against the risk from foreign currency variations, using swap operations, as presented in the following table:

Bank and Consolidated	**2008**	**2007**
Swap operations	85.418	56,922
Fixed rated notes	(97.681)	(28,242)
Net exposure	(12.263)	28,680

c. Interest rate risk

The Bank's results are affected by significant variations arising from operations contracted at floating and pre-fixed interest rates. Management controls the interest rate and liquidity risks through systems that include VaR, reports on profitability, liquidity and other management reports.

(In thousands of Reais)

d. *Positions of financial instruments and hedge operations (Sensitivity analysis table – Bank and Consolidated)*

The CVM Instruction 475 of December 17, 2008 requires the presentation of information on financial instruments, including hedge derivatives, which includes the sensitivity analysis for each type of market risk considered material by Management. The aforementioned instruction also determined the percentages of deterioration that Management must consider in the evaluation of the scenarios. The analysis carried out and the respective sensitivity analysis table is as follows:

1 Situation considered probable by Management and which is already included in the evaluations of the operations reported in the balance sheet.

2 Situation with deterioration of at least 25% (d.1) in the risk variable considered (exchange and interest rate).

3 Situation with deterioration of at least 50% (d.1) in the risk variable considered (exchange and interest rate).

Scenario of increasing of the US$ price			**Scenario I**	**Scenario II**	**Scenario III**
				Deterioration rate	
Operation	**Product**	**Risk**	**1%**	**25%**	**50%**
Hedge derivative	Swap contracts	Increase of US$	852	21,353	42,709
Acceptances and endorsements	Fixed rated notes	Increase of US$	(841)	(21,094)	(42,191)
Acceptances and endorsements without hedge	Fixed rated notes	Increase of US$	(133)	(3,332)	(6,665)
Net effect			**(122)**	**(3,073)**	**(6,147)**

(d.1) – The percentages were defined in CVM Instruction 475.

(In thousands of Reais)

Scenario of decreasing of the US$ price			Scenario I	Scenario II	Scenario III
				Deterioration rate	
Operation	**Product**	**Risk**	**1%**	**25%**	**50%**
Hedge derivative	Swap contracts	Decrease of US$	(855)	(21,356)	(42,709)
Acceptances and endorsements	Fixed rated notes	Decrease of US$	845	21,097	42,191
Acceptances and endorsements without hedge	Fixed rated notes	Decrease of US$	133	3,333	6,665
Net effect			**123**	**3,074**	**6,147**

24 Other information

a. The Bank maintains shareholders' equity compatible with the level of risk presented by its asset structure, calculated on a consolidated basis with J. Malucelli Distribuidora de Títulos e Valores Mobiliários Ltda., which constitute the Financial Conglomerate, pursuant to BACEN Resolution 2099/94 and subsequent regulations. On December 31, 2008 the adjusted shareholders' equity accounted for 53.6% (67.6% in 2007) of the risk-weighted assets, greater than the minimum required index of 11%.

b. The Bank has a computer and data processing equipment leasing agreement with a remaining term of 28 months. Leasing expenses in the year amounted to R$ 418 (R$ 469 in 2007).

c. The guarantees awarded by the Bank amounted to R$ 4,181 (R$ 532 in 2007).

d. The Bank and its subsidiaries sponsor a supplementary pension plan for its employees, which acceded to the plan making defined contributions, in the financial capitalization scheme, which was introduced in December 2004. The Bank and its subsidiaries are only responsible for the administrative expenses and the costs related to the insurance premium for participants' disability and death benefits. In the year ended December 31, 2008 the contributions amounted to R$ 402 in the Bank and R$ 556 in Consolidated (R$ 323 in the Bank and R$ 327 in Consolidated in 2007). The contributions related to accumulation of the plan's obligations are shouldered in full by the participants.

(In thousands of Reais)

e. The subsidiary J. Malucelli Distribuidora de Títulos e Valores Mobiliários Ltda. manages investment funds, whose net assets as of December 31, 2008 amount to R$ 324,552 (R$ 408,690 in 2007).

f. The total assets securing the Insurer's and the Reinsure's technical provisions break down as follows:

Assets covering insurance and reinsurance technical provisions – Consolidated	**2008**
Fixed income securities – Public	54,605
Time deposits	59,935
Total	114,540

g. In the General Extraordinary Meeting, held on June 27, 2008, Bank Management approved the merger of Fors Holdings S.A., based on the merger report and protocol of merger and justification of Fors, which main balances merged were: total assets of R$ 55,665 and total shareholders' equity R$ 55,632. Considering that almost the total assets of Fors Holding S.A. were represented by preferred shares of the Bank, analyzed by the equity accounting method, this merger did not change the capital of the Bank. The goodwill accounted for at Fors Holdings S.A., in the amount of R$ 49,019, was recorded in the Bank in deferred assets and was wholly provisioned at the date of the merger. This goodwill will be amortized for the period of 60 months, with the respective fiscal effects in the Bank. The General Extraordinary Meeting is under process of approval by the Central Bank of Brazil.

(In thousands of Reais)

h. The balances of cash and cash equivalents presented in the statement of cash flows are composed of:

	Bank		**Consolidated**	
	2008	**2007**	**2008**	**2007**
At the beginning of the year:				
Cash and bank deposits	428	364	570	7,906
Interbank funds invested	185,852	70,219	185,852	70,219
Securities **(h.1)**	-	-	3,605	2,517
Total	186,280	70,583	190,027	80,642
At the end of the year:				
Cash and bank deposits	270	428	3,912	570
Interbank funds invested	84,458	185,852	84,458	185,852
Securities **(h.1)**	-	-	37,461	3,605
Total	84,728	186,280	125,831	190,027

(h.1) It is composed of the investment of a subsidiary in quotas of investment fund with high liquidity.

25 Amendments to the Corporation Law (Law 6404/76)

Law 11638, published in the "Diário Oficial da União" on December 28, 2007 and supplemented by Provisional Measure 449 on December 3, 2008, amended various provisions of Law 6404 (Corporation Law). The regulations of the Central Bank of Brazil published until now consider: a) the treatment of capital reserves and the distribution of retained earnings; b) the treatment for property, plant and equipment and deferred charges; c) recognition, measurement and disclosure with respect to impairment of losses; d) the presentation of the statement of cash flows.

In the opinion of the Bank's Management, which considers the BACEN rules published up until now, only item (d) significantly affected the preparation/presentation of the Bank's financial statements.

In the consolidated financial statements the changes affected:

- The presentation of the statement of cash flows and added value;
- The valuation of assets, related to investments in financial instruments, intangible assets and other related elements;
- The valuation of the recoverable value of fixed assets, such as property, plant and equipment and also deferred charges, with no effect as of December 31, 2008, but which should be evaluated periodically so that impairment losses can be recognized;
- The reclassification of expenditures with acquisition and development of software from deferred charges to intangible assets; and
- The reclassification of deferred income to current liabilities.

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Independent auditors' report

To
The Board of Directors and Shareholders
Paraná Banco S.A.
Curitiba - PR

1. We have examined the accompanying balance sheet of Paraná Banco S.A. and the consolidated balance sheet of the Bank and its subsidiaries, as of December 31, 2007, and the related statements of income, changes in shareholders' equity and changes in financial position for the year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Bank and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by the Bank's management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Paraná Banco S.A. and the consolidated financial position of the Bank and its subsidiaries as of December 31, 2007, and the result of its operations, changes in its shareholders' equity and changes in its financial position for the year then ended, in conformity with accounting practices adopted in Brazil.

4. Our examination was performed with the objective of expressing an opinion on the financial statements taken as a whole. The statement of cash flows presented in note 23 is supplementary information to the aforementioned financial statements and has been included to facilitate additional analysis. This supplementary information was subject to the same audit procedures as applied to the aforementioned financial statements and, in our opinion is presented fairly, in all material aspects, in relation to the financial statements taken as a whole.

KPMG

5. The financial statements for the year ended December 31, 2006, presented for comparison purposes, were examined by us, and by other independent auditors in relation to some investments, with the Bank's interest in these investments and its equity in earnings of subsidiaries and associated company amounting to R$ 9,331 thousand and R$ 1,231 thousand for the Bank and R$ 154,093 thousand and R$ 6.171 thousand in Consolidated, respectively. Based on our examinations and the report of the aforementioned independent auditors, on these investments, we have issued our unqualified audit report dated April 27, 2007.

January 18, 2008

KPMG Auditores Independentes
CRC SP014428/O-6-F-PR

Carlos Eduardo Munhoz
Accountant CRC SP138600/O-7-S-PR

Balance sheets

December 31, 2007 and 2006

(In thousands of Reais)

	Bank		Consolidated	
Assets	**2007**	**2006**	**2007**	**2006**
Current	911,794	422,231	1,019,380	509,181
Cash and cash equivalents	428	364	570	7,906
Interbank funds invested	306,686	70,471	319,590	73,772
Money market	155,918	39,623	168,822	39,623
Interbank placements	150,768	30,848	150,768	34,149
Securities	75,276	48,646	9,339	47,986
Own portfolio	75,276	26,292	9,339	25,632
Subject to repurchase commitments	-	22,354	-	22,354
Interbank accounts	11	11	11	11
Collections in transit	-	2	-	2
Deposits with the Brazilian Central Bank	11	9	11	9
Loans	490,800	274,671	637,295	347,409
Loans - private sector	515,888	296,345	668,012	369,628
Allowance for doubtful loans	(25,088)	(21,674)	(30,717)	(22,219)
Other receivables	6,274	6,758	12,783	9,217
Service fees receivable	10	2	1,798	104
Other	6,264	6,756	10,985	9,113
Other assets	32,319	21,310	39,792	22,880
Other assets	122	122	122	122
Valuation allowance	(24)	(24)	(24)	(24)
Prepaid expenses	32,221	21,212	39,694	22,782
Non-current assets	541,672	280,371	649,699	302,219
Securities	70,589	34,744	67,267	-
Own portfolio	70,589	34,744	67,267	-
Loans	435,499	224,415	534,801	275,784
Loans - private sector	439,430	226,765	542,548	278,134
Allowance for doubtful loans	(3,931)	(2,350)	(7,747)	(2,350)
Other receivables	8,136	5,269	13,819	9,310
Other	8,136	5,269	13,819	9,310
Other assets	27,448	15,943	33,812	17,125
Prepaid expenses	27,448	15,943	33,812	17,125
Permanent assets	63,752	49,352	55,370	12,415
Investments	60,468	46,619	51,456	9,653
Subsidiaries and associated company	60,111	46,320	51,096	9,107
Other investments	374	316	377	575
Provision for losses	(17)	(17)	(17)	(29)
Fixed assets for own use	2,840	2,444	3,470	2,465
Property for own use	1,867	1,867	1,867	1,867
Other fixed assets	2,878	2,338	3,515	2,384
Accumulated depreciation	(1,905)	(1,761)	(1,912)	(1,786)
Deferred charges	444	289	444	297
Deferred charges	868	644	868	660
Accumulated amortization	(424)	(355)	(424)	(363)
Total assets	1,517,218	751,954	1,724,449	823,815

	Bank		Consolidated	
Liabilities	**2007**	**2006**	**2007**	**2006**
Current	540,251	342,757	664,002	355,616
Deposits	366,563	215,180	490,853	229,124
Demand deposits	1,650	1,256	960	1,247
Interbank deposits	57,137	20,589	57,137	20,589
Time deposits	307,677	193,329	432,657	207,282
Other deposits	99	6	99	6
Money market repurchase commitments	1,386	22,351	1,386	22,351
Own portfolio	1,386	22,351	1,386	22,351
Acceptances and endorsements	47,500	46,226	47,500	46,226
Obligation for notes and bonds issued abroad	47,500	46,226	47,500	46,226
Interbank accounts	-	2	-	2
Payments in transit	-	2	-	2
Derivative financial instruments	9,769	5,000	9,769	5,000
Other liabilities	115,033	53,998	114,494	52,913
Collection of taxes	246	135	246	135
Corporate and statutory contributions	27,664	243	27,664	251
Taxes and social security payable	25,331	16,174	30,553	18,451
Other	61,792	37,446	56,031	34,076
Non-current liabilities	227,329	250,271	313,342	315,155
Deposits	211,369	182,782	296,340	247,264
Interbank deposits	6,423	-	6,423	-
Time deposits	204,946	182,782	289,917	247,264
Acceptances and endorsements	9,422	56,245	9,422	56,245
Obligation for notes and bonds issued abroad	9,422	56,245	9,422	56,245
Derivative financial instruments	-	1,191	-	1,191
Other liabilities	6,538	10,053	7,580	10,455
Taxes and social security payable	1,952	6,967	1,952	7,369
Other	4,586	3,086	5,628	3,086
Deferred income	2	-	2	-
Minority interest	-	-	-	1
Shareholders' equity	749,636	158,926	747,103	153,043
Capital				
Domestic	280,591	100,000	280,591	100,000
Foreign	419,260	-	419,260	-
Capital reserve	177	123	177	123
Revenue reserves	60,029	58,812	57,496	52,929
Market value adjustments - Securities	21	(9)	21	(9)
Shares held in Treasury	(10,442)	-	(10,442)	-
Total liabilities and shareholders' equity	1,517,218	751,954	1,724,449	823,815

See the accompanying notes to the financial statements.

Paraná Banco S.A.

Statements of income

Years ended December 31, 2007 and 2006

(In thousands of Reais, except net income per share)

	Bank			Consolidated	
	Second half	Year		Year	
	2007	2007	2006	2007	2006
Income from financial operations	150,042	287,065	232,345	318,831	220,793
Loans	118,628	238,046	215,501	275,023	212,362
Securities	31,414	49,019	16,844	43,808	8,431
Expenses from financial operations	(53,857)	(104,613)	(93,102)	(137,055)	(88,971)
Deposits, money market and interbank funds	(35,060)	(62,904)	(61,933)	(86,447)	(57,257)
Derivative financial instruments	(4,316)	(14,217)	(8,834)	(14,217)	(8,834)
Allowance for doubtful loans	(14,481)	(27,492)	(22,335)	(36,391)	(22,880)
Net income from financial operations	96,185	182,452	139,243	181,776	131,822
Other operating income (expenses)	(35,367)	(102,809)	(70,167)	(95,643)	(70,249)
Service fee income	4,582	9,646	10,919	10,046	12,386
Personnel expenses	(6,185)	(11,016)	(7,539)	(11,040)	(7,873)
Directors' fees	(1,023)	(1,190)	(484)	(1,190)	(484)
Other administrative expenses	(42,742)	(106,712)	(69,210)	(96,637)	(67,219)
Transactional taxes	(8,274)	(15,050)	(11,140)	(15,279)	(10,837)
Equity share in earnings of subsidiaries and associated company	2,779	4,606	4,792	3,948	1,417
Other operating income	20,313	26,420	6,904	26,762	6,972
Other operating expenses	(4,817)	(9,513)	(4,409)	(12,253)	(4,611)
Operating income	60,818	79,643	69,076	86,133	61,573
Net non-operating income (expenses)	39	93	(393)	91	(409)
Income before taxes on income and profit sharing	60,857	79,736	68,683	86,224	61,164
Income and social contribution taxes	(8,452)	(14,034)	(18,830)	(16,642)	(17,194)
Current income tax	(13,432)	(19,603)	(12,028)	(20,159)	(13,277)
Current social contribution tax	(5,134)	(7,386)	(4,534)	(7,611)	(4,780)
Deferred income and social contribution taxes	10,114	12,955	(2,268)	11,128	863
Profit sharing	(1,528)	(1,803)	(406)	(1,803)	(406)
Net income for the period/year	50,877	63,899	49,447	67,779	43,564
Interest on own capital	(30,682)	(30,682)	(8,200)	(30,682)	(8,200)
Outstanding shares at year end (in thousands)	106,561	106,561	100,000		
Net income per share (in Reais)	0.48	0.60	0.49		

See the accompanying notes to the financial statements.

Paraná Banco S.A.

Statements of changes in shareholders' equity (Bank)

Years ended December 31, 2007 and 2006

(In thousands of Reais)

	Capital	Capital increase under approval	Capital reserve	Revenue reserves		Market value adjustments - Securities	Shares held in Treasury	Retained earnings	Total
			Restatement of financial securities	Legal	Statutory				
Balances as of July 1, 2007	661,200	-	177	2,959	32,727	(5)	-	4,148	701,206
Capital increase	-	38,651	-	-	-	-	-	-	38,651
Approval of capital increase	38,651	(38,651)	-	-	-	-	-	-	-
Shares held in Treasury	-	-	-	-	-	-	(10,442)	-	(10,442)
Market value adjustments - Securities	-	-	-	-	-	26	-	-	26
Net income for the period	-	-	-	-	-	-	-	50,877	50,877
Appropriations from net income									
Legal reserve	-	-	-	2,543	-	-	-	(2,543)	-
Interest on own capital	-	-	-	-	-	-	-	(30,682)	(30,682)
Statutory reserve	-	-	-	-	21,800	-	-	(21,800)	-
Balances as of December 31, 2007	699,851	-	177	5,502	54,527	21	(10,442)	-	749,636
Changes for the period	38,651	-	-	2,543	21,800	26	(10,442)	(4,148)	48,430
Balances as of December 31, 2006	100,000	-	123	9,732	49,080	(9)	-	-	158,926
Adjustement from change of accounting practice (note 3.m)	-	-	-	-	(24,505)	-	-	24,505	-
Balances as of January 1, 2007	100,000	-	123	9,732	24,575	(9)	-	24,505	158,926
Capital increase	-	599,851	-	(7,425)	(24,575)	-	-	-	567,851
Approval of capital increase	599,851	(599,851)	-	-	-	-	-	-	-
Shares held in Treasury	-	-	-	-	-	-	(10,442)	-	(10,442)
Equity adjustment of clearing house membership certificate	-	-	54	-	-	-	-	-	54
Market value adjustments - Securities	-	-	-	-	-	30	-	-	30
Net income for the year	-	-	-	-	-	-	-	63,899	63,899
Appropriations from net income									
Legal reserve	-	-	-	3,195	-	-	-	(3,195)	-
Interest on own capital	-	-	-	-	-	-	-	(30,682)	(30,682)
Statutory reserve	-	-	-	-	54,527	-	-	(54,527)	-
Balances as of December 31, 2007	699,851	-	177	5,502	54,527	21	(10,442)	-	749,636
Changes for the year	599,851	-	54	(4,230)	29,952	30	(10,442)	(24,505)	590,710
Balances as of December 31, 2005	50,000	-	87	7,609	67,730	(50)	-	-	125,376
Adjustement from change of accounting practice (note 3.m)	-	-	-	-	-	-	-	17,526	17,526
Balances as of January 1, 2006	50,000	-	87	7,609	67,730	(50)	-	17,526	142,902
Capital increase	-	50,000	-	-	(50,000)	-	-	-	-
Approval of capital increase	50,000	(50,000)	-	-	-	-	-	-	-
Equity adjustment of clearing house membership certificate	-	-	36	-	-	-	-	-	36
Market value adjustments - Securities	-	-	-	-	-	41	-	-	41
Net income for the year (as originally published)	-	-	-	-	-	-	-	42,468	42,468
Change of accounting practice (note 3m)	-	-	-	-	-	-	-	6,979	6,979
Appropriations from net income									
Legal reserve	-	-	-	2,123	-	-	-	(2,123)	-
Dividends	-	-	-	-	(17,000)	-	-	(8,300)	(25,300)
Interest on own capital	-	-	-	-	-	-	-	(8,200)	(8,200)
Statutory reserve	-	-	-	-	48,350	-	-	(48,350)	-
Balances as of December 31, 2006	100,000	-	123	9,732	49,080	(9)	-	-	158,926
Changes for the year	50,000	-	36	2,123	(18,650)	41	-	(17,526)	16,024

See the accompanying notes to the financial statements.

Paraná Banco S.A.

Statements of changes in financial position

Years ended December 31, 2007 and 2006

(In thousands of Reais)

	Bank			Consolidated	
	Second half	Year		Year	
	2007	2007	2006	2007	2006
Source of funds	775,751	898,178	245,614	1,005,739	344,917
Adjusted net income for the period/year	48,265	59,604	45,381	64,153	42,390
Net income for the period/year	50,877	63,899	49,447	67,779	43,564
Depreciation and amortization	167	311	226	322	243
Equity in operating earnings of subsidiaries and associated company	(2,779)	(4,606)	(4,792)	(3,948)	(1,417)
Amortization of goodwill	-	-	500	-	-
Deferred income	2	2	-	2	-
Minority interest	-	-	-	(1)	-
Funds from shareholders	38,651	567,851	-	567,851	-
Capital increase	38,651	567,851	-	567,851	-
Market value adjustments - Securities	26	30	41	30	41
Third party funds	688,807	270,691	200,192	373,704	302,486
Increase in current and non-current liabilities	179,328	241,068	174,290	373,089	302,304
Deposits	139,974	179,970	93,199	310,805	222,214
Money market repurchase commitments	-	-	2,949	-	2,949
Acceptances and endorsements	-	-	49,787	-	49,787
Derivative financial instruments	859	3,578	3,343	3,578	3,343
Other liabilities	38,495	57,520	25,012	58,706	24,011
Decrease in current and non-current assets	509,474	-	-	-	-
Securities	506,797	-	-	-	-
Interbank accounts	430	-	-	-	-
Other assets	2,247	-	-	-	-
Fixed assets and investment disposals	5	29,623	25,902	615	182
Subsidiary	-	2,655	-	-	-
Capital reduction of subsidiary	-	25,827	16,000	-	-
Other investments	-	-	-	-	180
Fixed assets for own use	5	4	2	5	2
Dividends received from subsidiaries	-	1,137	9,900	610	-
Application of funds	775,422	898,114	247,092	1,013,075	338,863
Dividends	-	-	25,300	-	25,300
Interest on own capital	30,682	30,682	8,200	30,682	8,200
Shares held in Treasury	10,442	10,442	-	10,442	-
Investments in	39,113	39,450	8,551	40,196	354
Investments	38,804	38,804	8,314	38,779	115
Other investments	-	3	-	3	-
Fixed assets for own use	309	643	237	1,414	239
Application in deferred charges	45	224	205	224	205
Increase in current and non-current assets	647,115	750,800	204,836	865,015	304,804
Interbank funds invested	265,405	236,215	22,648	245,818	25,949
Securities	-	62,475	49,240	28,620	13,050
Interbank accounts	-	-	11	-	11
Loans	362,747	427,213	117,017	548,903	241,124
Other receivables	-	2,383	5,381	8,075	11,379
Other assets	18,963	22,514	10,539	33,599	13,291
Decrease in current and non-current liabilities	48,025	66,516	-	66,516	-
Money market repurchase commitments	32,532	20,965	-	20,965	-
Acceptances and endorsements	14,586	45,549	-	45,549	-
Interbank accounts	907	2	-	2	-
Increase (decrease) in cash and cash equivalents	329	64	(1,478)	(7,336)	6,054
Changes in financial position					
Beginning of the period/year	99	364	1,842	7,906	1,852
End of the period/year	428	428	364	570	7,906
Increase (decrease) in cash and cash equivalents	329	64	(1,478)	(7,336)	6,054

See the accompanying notes to the financial statements.

Paraná Banco S.A.

Notes to the financial statements

Years ended December 31, 2007 and 2006

(In thousands of Reais)

1 Operations

Paraná Banco S.A. ("Bank") is a multiple bank whose core activity is to borrow and lend money and conduct accessory operations inherent to the commercial and credit portfolios, financing and investment portfolios and managing the credit card portfolio.

2 Presentation of the financial statements

The Bank's financial statements and its consolidated financial statements, which embrace the financial statements of the Bank, its subsidiaries, the Fundo de Investimento em Direitos Creditórios Paraná Banco I and the Fundo de Investimento em Direitos Creditórios Paraná Banco II ("FIDCs"), were prepared based on the accounting practices deriving from Brazilian corporation law, associated with the regulations and instructions of the National Monetary Council ("CMN"), the Brazilian Central Bank ("BACEN") and the Brazilian Securities Exchange Commission ("CVM").

In order to prepare these consolidated financial statements, the investments held by one company in another were eliminated, together with the intercompany asset and liability account balances, intercompany income and expenses balances and unearned income arising from intercompany transactions. Minority interest in the shareholders' equity and results of the subsidiaries have been reported separately in the consolidated balance sheet and consolidated statement of income for the year, respectively, when applicable.

(In thousands of Reais)

We present below the main companies included in the consolidation and the investment interests held by the Bank:

	2007			
Subsidiaries	**Assets**	**Liabilities**	**Results**	**% of interest**
Tresor Holdings S.A. (b)	10,784	45	1,468	100.00
Paraná Administradora de Consórcio Ltda. (c)	382	131	27	99.99
J. Malucelli Vida e Previdência S.A. (d)	8,034	195	439	99.99
J. Malucelli Agenciamento e Serviços Ltda. (f)	5,846	5,837	45	99.98
Porto de Cima Holding Ltda. (b)	41,274	-	2,475	100.00
Credit Rights Investment Fund (FIDCs)				
Fundo de Investimento em Direitos Creditórios Paraná Banco I (g)	148,166	40	9,629	32.61
Fundo de Investimento em Direitos Creditórios Paraná Banco II (g)	142,026	45	38	22.15

	2006			
Subsidiaries	**Assets**	**Liabilities**	**Results**	**% of interest**
J. Malucelli Distribuidora de Títulos e Valores Mobiliários Ltda. (a)	3,295	339	624	99.99
Tresor Holdings S.A. (b)	37,159	1,422	4,251	100.00
Paraná Administradora de Consórcio Ltda. (c)	365	141	(166)	99.99
J. Malucelli Vida e Previdência S.A. (d)	7,400	-	-	99.99
J. Malucelli Consultoria Empresarial S.A. (e)	104	90	6	99.99
Credit Rights Investment Fund (FIDC)				
Fundo de Investimento em Direitos Creditórios Paraná Banco I (g)	144,763	40	8,684	26.73

(a) Mainly operates in the administration of investment funds. On February 16, 2007 the Bank sold to its shareholders all of its interest in this Company, at the carrying amount of R$ 2,650. No gain or loss was therefore made on this transaction.

(b) Holding companies of the investment in the associated company J. Malucelli Seguradora S.A.

(c) Investment acquired on April 4, 2006; the company is inactive.

(d) The company was incorporated on October 17, 2006, and homologated according to Ruling 2,731 from SUSEP – Superintendency for Private Insurance. The company is at the pre-operational stage.

(e) Investment acquired on September 4, 2006; and sold on February 1, 2007.

(f) This company was purchased on December 28, 2007. This company operates in the rendering of the advisory and control services for discount operations in the payroll, and in the control and implementation of the franchised correspondents of the Bank and provides its own infrastructure for attending the public within the locations the Bank is interested in.

(g) Investment represented by 100% of the quotas subordinated from FIDCs, which, for purposes of presenting these financial statements, was consolidated in compliance with CVM Instruction 408, and the interpretation included in Official Circular CVM/SNC/SEP number 01/2007. Therefore, the unearned income arising from transactions with the FIDCs was eliminated in the consolidation, as presented in the reconciliation below. These FIDCs were consolidated since the Bank exercises operational control over the credits granted to the Fund.

The shareholders' equity and profit for the year that refer to participation of third parties in the FIDCs, for the amounts of R$ 210,325 and R$ 23,889 (R$ 106,033 and R$ 4,783 in 2006), respectively, are reported in time deposits and financial operating expenses, respectively.

(In thousands of Reais)

A reconciliation of shareholders' equity as of December 31, 2007 and 2006 and net income for the years then ended of the Bank's stand alone and consolidated financial statements is as follows:

	2007		2006	
	Shareholders' equity	**Net income**	**Shareholders' equity**	**Net income**
Bank's stand alone	749,636	63,899	158,926	49,447
Unearned income arising from transactions with the FIDCs, net of taxes	(2,533)	3,880	(5,883)	(5,883)
Consolidated	747,103	67,779	153,043	43,564

3 Description of significant accounting policies

a. Statement of income

Income and expenses are recognized on the accrual basis.

The commission expenses from intermediary services for loan operations and fees for agency services or introducing business, are recognized to results based on the period of the loan contracts. The balance for deferred commission is recorded to prepaid expenses.

b. Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the allowance for doubtful loans, deferred income tax assets, provision for contingencies and market value of securities. The settlement of transactions involving these estimates may result in different amounts due to lack of precision inherent to the process of their determination. The Bank and its subsidiaries reviews the estimates and assumptions monthly.

c. Interbank funds invested

Recorded at the acquisition cost plus the return obtained up to the balance sheet date, net of the provision for devaluation, when applicable.

d. Securities and derivative financial instruments

As required by the Brazilian Central Bank Circular n° 3068, issued on November 8, 2001, securities classified as "securities available for sale" are initially stated at cost, plus accrued interest to the balance sheet date, and then adjusted to market value, net of taxes, and booked to an account "Market value adjustments – Securities" in shareholders' equity.

As required by BACEN Circular n° 3082, issued on January 30, 2002, the derivative financial instruments were stated at their market values and changes in their reported values in the statement of income.

e. *Loans, time deposits, interbank deposits and other assets and liabilities*

Transactions subject to predetermined remuneration rates are recorded at redemption value, adjusted to present value in deferred income/expenses, respectively. Transactions subject to floating rates are recorded at cost plus interest accrued to the balance sheet date. Regardless of their level of risk, income from loans more than 60 days overdue is only recorded as revenue when effectively received. In the Bank stand alone, income from loan assignments, with or without co-obligation, is recognized in full in the statement of income for the year at the time of assignment, as required by BACEN. In Consolidated, the portfolio assigned to the FIDCs is recorded in loans and the respective income is recognized on a daily pro rata basis until the balance sheet date.

f. *Allowance for doubtful loans*

The allowance for loan losses has been made to an amount compatible with the overall credit risk assessment, in accordance with management analysis and regulations issued by the Brazilian Central Bank, which stipulates the creation of nine risk levels, AA (minimum risk) and H (loss), and minimum provision percentages for each level.

Operations classified as level H remain classified as such for six months, when they are then written off against the existing provision and are controlled, for five years, in memorandum accounts and are no longer recorded in balance sheet accounts. The renegotiated operations are retained, at a minimum, at the same level at which they were classified. The renegotiations of loans that had been written off against the provision and which were included in memorandum accounts are classified as H and any gains arising from the renegotiations are only recognized as income when actually received. The allowance for doubtful loans, considered sufficient by management, meets the minimum requirements established by the aforementioned resolution.

g. *Investments*

Investment in subsidiaries and in associated company is accounted for using the equity method, plus goodwill, when applicable. Other investments are recorded at cost, and adjusted by a provision for losses.

h. Fixed assets for own use

Stated at cost net of depreciation. Depreciation was calculated using the straight-line method, applying the following annual rates: 4% for property for own use; 10% for fixtures, fittings, communication and security systems, and 20% for data processing systems.

i. Provision for income and social contribution taxes

The provision for income tax was calculated using a rate of 15% of taxable income, plus a surcharge of 10% on taxable income in excess of R$ 240. The social contribution tax was calculated using a rate of 9% of income before tax, adjusted according to current legislation.

The income and social contribution taxes on timing differences are included in "Other receivables – Other" and "Taxes and social security payable", and reflected in the net income for the year, or, when applicable, in the shareholders' equity.

j. Foreign currency balances

Recorded at rates ruling at the balance sheet date.

k. Provisions

A provision is recognized in the balance sheet when the Bank or its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

l. Statements of cash flows

The Bank, voluntarily, is presenting as additional information, the statements of cash flows prepared in accordance with NPC 20 – Statement of Cash Flows, issued by IBRACON - Brazilian Institute of Independent Auditors.

m. Change in accounting practice

Bank management decided, voluntarily, to alter its accounting practice for recording commission on granting loans in the form of personal consigned credit. It believes that this change results in better presentation of its financial statements, and ensures alignment with international accounting standards, which will be adopted by financial institutions in the consolidated financial statements in Brazil as from 2010, and enables comparisons to be made with the majority of banks of a similar size to the Bank and with public quoted banks.

The Bank previously recorded this commission in full to results at the time of confirmation of the loan, and now records the commission to results over the period of the loan. In accordance with CVM Decision 506/06, this change in accounting practice has been applied retrospectively, that is, the deferred commission was recalculated as if the new accounting criterion had been adopted since January 1, 2006, with this being the oldest date presented in these financial statements, to enable comparisons to be made between the periods. We present below the reconciliation of results for the years ended December 31, 2007 and 2006, with the existing and previous accounting practice:

(In thousands of Reais)

Bank	December 31, 2007		
	Previous accountin g position	**Effects of change in practice**	**Adjusted accountin g position**
Balance sheet			
Other assets – prepaid expenses			
Current	-	32,221	32,221
Non current	-	27,448	27,448
Other liabilities – taxes and social security			
Current	5,043	20,288	25,331
Non current	1,952	-	1,952
Shareholders' equity – statutory reserve	15,146	39,381	54,527
Statement of income			
Other administrative expenses	(129,251)	22,539	(106,712)
Income tax and social contribution			
Current	(10,375)	(16,614)	(26,989)
Deferred	4,004	8,951	12,955
Net income for the year	49,023	14,876	63,899
Net income per share – R$	0.46	0.14	0.60

(In thousands of Reais)

Consolidated	December 31, 2007		
Balance sheet	Previous accounting position	Effects of change in practice	Adjusted accounting position
Other assets – prepaid expenses			
Current	2	39,692	39,694
Non current	-	33,812	33,812
Other liabilities – taxes and social security			
Current	5,561	24,992	30,553
Non current	1,952	-	1,952
Shareholders' equity – statutory reserve	3,482	48,512	51,994
Statement of income			
Other administrative expenses	(130,259)	33,622	(96,637)
Income tax and social contribution			
Current	(11,156)	(16,614)	(27,770)
Deferred	5,945	5,183	11,128
Net income for the year	45,588	22,191	67,779

(In thousands of Reais)

Bank	**December 31, 2006**		
	Previous accounting position	**Effects of change in practice**	**Adjusted accounting position**
Balance sheet			
Other assets – prepaid expenses			
Current	25	21,187	21,212
Non current	-	15,943	15,943
Other liabilities – taxes and social security			
Current	8,970	7,204	16,174
Non current	1,546	5,421	6,967
Shareholders' equity – statutory reserve	24,575	24,505	49,080
Statement of income			
Other administrative expenses	(79,785)	10,575	(69,210)
Income tax and social contribution			
Current	(16,562)	-	(16,562)
Deferred	1,328	(3,596)	(2,268)
Net income for the year	42,468	6,979	49,447
Net income per share – R$	0.42	0.07	0.49

(In thousands of Reais)

Consolidated	December 31, 2006		
	Previous accountin g position	**Effects of change in practice**	**Adjusted accountin g position**
Balance sheet			
Other assets – prepaid expenses			
Current	25	22,757	22,782
Non current	-	17,125	17,125
Other liabilities – taxes and social security			
Current	10,713	7,738	18,451
Non current	1,546	5,823	7,369
Shareholders' equity – statutory reserve	16,876	26,321	43,197
Statement of income			
Other administrative expenses	(80,546)	13,327	(67,219)
Income tax and social contribution			
Current	(18,256)	-	(18,256)
Deferred	5,594	(4,532)	1,062
Net income for the year	34,769	8,795	43,564

The initial adjustment for the amount of R$ 17,526, calculated for the base date January 1, 2006, was reflected in retained earnings.

(In thousands of Reais)

4 Cash and cash equivalents

At December 31, 2006, on Consolidated, includes R$ 7,400 which refers to blocked funds unremunerated to January 26, 2007, deposited as part of the incorporation of J. Malucelli Vida e Previdência S.A., which is currently at the pre-operational stage.

5 Interbank funds invested

Refers to securities purchased under resale agreements and interbank funds applied, as presented below:

	Bank		Consolidated	
	2007	**2006**	**2007**	**2006**
Money market – Backed position				
Financial Treasury Bills	5,601	39,623	18,505	39,623
National Treasury Notes	150,317	-	150,317	-
Interbank placements	150,768	30,848	150,768	34,149
Total	306,686	70,471	319,590	73,772

(In thousands of Reais)

6 Securities and derivative financial instruments

a. Securities

Securities were classified as available for sale and are presented as follows:

	December 31, 2007						
Type of security	On demand	Up to 6 months	From 6 months to 1 year	More than 1 year	Market value	Cost	Adjustment to shareholders' equity
Own portfolio							
LFT (*)	-	-	-	66,097	66,097	66,065	32
FIDCs	-	37,638	37,638	4,492	79,768	79,768	-
Total – Bank	-	37,638	37,638	70,589	145,865	145,833	32
Own portfolio							
LFT (*)	-	-	-	67,267	67,267	67,235	32
Mutual funds	9,339	-	-	-	9,339	9,339	-
Total – Consolidated	9,339	-	-	67,267	76,606	76,574	32
Tax effects							(11)
Net adjustment to shareholders' equity – Bank and Consolidated							(21)

Paraná Banco S.A.

Notes to the financial statements

(In thousands of Reais)

	December 31, 2006						
Type of security	**On demand**	**Up to 6 months**	**From 6 months to 1 year**	**More than 1 year**	**Market value**	**Cost**	**Adjustment to shareholders' equity**
Own portfolio							
LFT (*)	-	22,043	-	-	22,043	22,050	(7)
FIDCs	-	4,249	-	34,744	38,993	38,993	-
Subject to repurchase commitments							
LFT (*)	-	22,354	-	-	22,354	22,361	(7)
Total – Bank	-	48,646	-	34,744	83,390	83,404	(14)
Own portfolio							
LFT (*)	-	22,070	1,045	-	23,115	23,122	(7)
Mutual funds	2,517	-	-	-	2,517	2,517	-
Subject to repurchase commitments							
LFT (*)	-	22,354	-	-	22,354	22,361	(7)
Total – Consolidated	2,517	44,424	1,045	-	47,986	48,000	(14)
Tax effects							5
Net adjustment to shareholders' equity – Bank and Consolidated							(9)

(*) The market value of Federal Government bonds are obtained using the rates published by ANDIMA - the National Association of Open Market Institutions.

(In thousands of Reais)

b. Derivative financial instruments (Bank and Consolidated)

Derivative financial instruments portfolio comprised by swap contracts as of December 31, 2007 and 2006 was presented as follows:

	2007					
	Memorandum accounts	On balance sheet – assets (liabilities)				
	Notional amount	Up to 1 year	From 1 to 3 years	Market value	Cost	Market value adjustment
Assets						
Foreign currency	28,242	-	-	-	-	-
Liabilities						
Interbank rate	38,011	(9,769)	-	(9,769)	(9,341)	(428)

	2006					
	Memorandum accounts	On balance sheet – assets (liabilities)				
	Notional amount	Up to 1 year	From 1 to 3 years	Market value	Cost	Market value adjustment
Assets						
Foreign currency	78,035	-	-	-	-	-
Liabilities						
Interbank rate	84,226	(5,000)	(1,191)	(6,191)	(5,777)	(414)

(In thousands of Reais)

7 Loans and allowance for doubtful loans

a. Portfolio by type of loan

	Bank		Consolidated	
	2007	**2006**	**2007**	**2006**
Overdraft	-	316	-	316
Guaranteed account	90,305	740	90,305	740
Working capital	7,445	9,511	7,445	9,511
Personal credit installments	834,729	497,563	1,089,971	622,215
Financing	22,608	11,898	22,608	11,898
Payroll deduction credit card (i)	231	3,082	231	3,082
Total	955,318	523,110	1,210,560	647,762

(i) Value of credit limit used for revolving credit format.

(In thousands of Reais)

b. Portfolio by maturity, customer type and economic activity

	Bank						
		Installments not yet due					
	Installments overdue equal to or more than 15 days	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Total	2006
Industry	-	260	9,206	568	-	10,034	1,150
Commerce	-	74	207	444	-	725	-
Services	2,025	1,459	83,190	2,054	67	88,795	8,975
Individuals	76,494	91,870	251,103	363,568	72,729	855,764	512,985
Total – 2007	78,519	93,663	343,706	366,634	72,796	955,318	523,110
Total – 2006	67,260	63,667	165,418	205,824	20,941	523,110	

(In thousands of Reais)

	Consolidated						
		Installments not yet due					
	Installments overdue equal to or more than 15 days	Up to 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years	Total	2006
Industry	-	260	9,206	568	-	10,034	1,150
Commerce	-	74	207	444	-	725	-
Services	2,025	1,459	83,190	2,054	67	88,795	8,975
Individuals	78,284	142,166	351,141	466,686	72,729	1,111,006	637,637
Total – 2007	80,309	143,959	443,744	469,752	72,796	1,210,560	647,762
Total - 2006	67,260	85,100	217,268	257,193	20,941	647,762	

(In thousands of Reais)

c. *Portfolio by risk grade*

				Bank			
				2007		2006	
Level	Status	Days overdue	% of provision	Total	Provision	Total	Provision
AA	Current		-	-	-	-	-
A	Current		0.50%	800,368	4,002	427,550	2,138
B	Current			43,849	438	16,187	162
	Overdue	15 to 30	1.00%	26,036	260	21,607	216
C	Current			29,173	875	8,948	268
	Overdue	31 to 60	3.00%	15,631	469	14,230	427
D	Current			1,311	131	880	88
	Overdue	61 to 90	10.00%	9,902	990	6,585	658
E	Current			366	110	575	172
	Overdue	91 to 120	30.00%	5,671	1,701	5,642	1,692
F	Current			321	160	258	129
	Overdue	121 to 150	50.00%	3,707	1,853	3,505	1,752
G	Current			181	127	167	117
	Overdue	151 to 180	70.00%	2,998	2,099	2,571	1,800
H	Current	More than		1,231	1,231	1,285	1,285
	Overdue	180	100.00%	14,573	14,573	13,120	13,120
	Total			955,318	29,019	523,110	24,024

(In thousands of Reais)

				Consolidated			
				2007		2006	
Level	Status	Days overdue	% of provision	Total	Provision	Total	Provision
AA	Current		-	-	-	-	-
A	Current		0.50%	1,030,779	6,344	535,451	2,196
B	Current			54,531	545	30,223	321
	Overdue	15 to 30	1.00%	26,978	270	21,607	216
C	Current			31,917	958	10,074	306
	Overdue	31 to 60	3.00%	15,910	477	14,230	427
D	Current			3,053	305	1,979	212
	Overdue	61 to 90	10.00%	10,106	1,011	6,585	658
E	Current			1,422	427	1,065	338
	Overdue	91 to 120	30.00%	5,812	1,744	5,642	1,692
F	Current			1,216	608	258	129
	Overdue	121 to 150	50.00%	3,799	1,900	3,505	1,752
G	Current			876	613	167	117
	Overdue	151 to 180	70.00%	2,998	2,099	2,571	1,800
H	Current	More than		6,457	6,457	1,285	1,285
	Overdue	180	100.00%	14,706	14,706	13,120	13,120
	Total			1,210,560	38,464	647,762	24,569

(In thousands of Reais)

d. *Movements on allowance for doubtful loans*

	Bank		Consolidated	
	2007	**2006**	**2007**	**2006**
Balances at beginning of the year	24,024	14,155	24,569	14,155
Charged in the year	27,492	22,335	36,391	22,880
Written off	(22,497)	(12,466)	(22,496)	(12,466)
Balances at the end of the year	29,019	24,024	38,464	24,569
Losses recovered	4,042	2,506	4,042	2,506

e. *Concentration of loans and credit risk*

	Bank		Consolidated	
	2007	**2006**	**2007**	**2006**
Ten largest customers	92,527	9,368	92,527	9,368
Percentage of the loan portfolio	9.69%	1.79%	7.64%	1.45%
Next fifty largest customers	7,391	4,342	7,391	4,384
Percentage of the loan portfolio	0.77%	0.83%	0.61%	0.68%

f. *Renegotiated loans*

There were no renegotiated loans as of December 31, 2007 and 2006.

g. Credit assignment

By way of a credit assignment agreement with co-obligation, the Bank assigned to other financial institutions receivables deriving from financing awarded as personal loans under consignment, to the amount of R$ 20,079 (R$ 184,250 in 2006), recording a gain of R$ 3,093 (R$ 32,571 in 2006), recorded as income from loans. As of December 31, 2007, the outstanding balance of these assignments was R$ 42,417 (R$ 123,520 in 2006).

By way of a credit assignment agreement without co-obligation, the Bank also assigned to the FIDCs amounts deriving from financing awarded as personal loans under consignment, to the amount of R$ 353,731 (R$ 152,428 in 2006), recording a gain of R$ 36,702 (R$ 16,882 in 2006), recorded as income from loans. In Consolidated, the portfolio assigned to the FIDCs is recorded in loans and the respective income is recognized on a daily pro rata basis until the balance sheet date.

Cooperation agreements were signed with other financial institutions, for assigning credits for different periods, for a maximum value of up to R$ 422,596. The balance available and not used from these agreements at December 31, 2007 was R$ 246,640 (R$ 665,043 in 2006, which includes a contract with Banco Bradesco S.A. with a limit of R$ 500,000).

(In thousands of Reais)

8 Other receivables - other

Current

	Bank		Consolidated	
	2007	**2006**	**2007**	**2006**
Deferred income and social contribution taxes	1,629	835	5,211	1,347
Other deferred taxes	-	-	514	473
Purchases billable – Mastercard (a)	179	487	179	755
Accredited agencies (b)	2,840	4,173	2,840	4,173
Taxes recoverable	-	-	541	1,339
Other receivables from other institutions	720	669	720	669
Other	896	592	980	357
Total	6,264	6,756	10,985	9,113

(a) Refers to amounts receivable, by invoice issued to the credit card holders. This amount represents the total of the invoices in the month, the balance of which can be paid in full or to the minimum amount, in which case it is financed with revolving credit.

(b) Refers to amounts passed through by accredited agencies, corresponding to collection of loan installments, to be offset against outstanding amounts recorded in the current liabilities.

Non-current

	Bank		Consolidated	
	2007	**2006**	**2007**	**2006**
Deferred income and social contribution taxes	6,520	3,315	8,947	6,870
Judicial deposits	1,616	1,954	1,616	1,954
Intercompany balance receivable	-	-	2,906	-
Other deferred taxes	-	-	348	251
Other	-	-	2	235
Total	8,136	5,269	13,819	9,310

9 Subsidiaries and associated company - Domestic

	Bank							
	Tresor Holdings S.A. (a)	Paraná Administradora de Consórcio Ltda. (b)	J. Malucelli Vida e Previdência S.A. (c)	J. Malucelli Consultoria Empresarial S.A. (d)	J. Malucelli DTVM Ltda. (e)	Porto de Cima Holding Ltda. (f)	J. Malucelli Agenciamento e Serviços Ltda. (g)	Total
December 31, 2007								
Information of subsidiaries								
Number of outstanding quotas/shares (in thousands)	39	13,212	7,400	-	-	38,799	5	
Shareholders' equity	10,739	251	7,839	-	-	41,274	9	
Net income for the year	1,468	27	439	-	-	2,475	45	
Information of investment in subsidiaries								
Number of quotas/shares owned (in thousands)	39	13,211	7,399	-	-	38,799	5	
Percentage of interest	100.00%	99.99%	99.99%	-	-	100.00%	99.98%	
Movement of balances								
Beginning balances	35,737	224	7,399	5	2,955	-	-	46,320
Acquisition of investments	-	-	-	-	-	38,799	5	38,804
Disposal of investments	-	-	-	(5)	(2,650)	-	-	(2,655)
Reduction of capital	(25,827)	-	-	-	-	-	-	(25,827)
Equity in operating earnings	1,469	27	439	-	192	2,475	4	4,606
Dividends	(640)	-	-	-	(497)	-	-	(1,137)
Balances in investment	10,739	251	7,838	-	-	41,274	9	60,111
Balances with the Bank								
Assets	649	374	8	-	-	1	2,238	
Income	295	44	-	-	-	-	1,735	
Main accounts in balance sheet and statement of income								
Assets								
Cash and cash equivalents	649	3	8	-	-	1	61	
Short-term investments	-	374	7,826	-	-	-	-	
Investment in associated company	9,823	-	-	-	-	26,195	-	
Investment in associated company - goodwill	-	-	-	-	-	15,078	-	
Other	312	5	200	-	-	-	5,785	
Liabilities	(45)	(131)	(195)	-	-	-	(5,837)	
Shareholders' equity	10,739	251	7,839	-	-	41,274	9	
Income	1,622	56	760	-	-	2,622	1,991	
Expenses	(154)	(29)	(321)	-	-	(147)	(1,946)	

(a) Holding company of an investment of 30% in the ordinary shares (equivalent to 15% of capital) in the associated company J Malucelli Seguradora S.A. The calculation of equity in income in the Insurance Company was made based on the financial statements at December 31, 2007, with the main balances being: (1) volume of shares held - 1,264,139 ordinary shares; (2) shareholders' equity - R$ 65,487; (3) net profit for the year - R$ 11,897; (4) value of investment - R$ 9,823; (5) equity in income of investment - R$ 1,327.

(b) Investment acquired on April 4, 2006; the company is inactive.

(c) Company incorporated on October 17, 2006, and homologated, according to Ruling 2.731 of August 13, 2007, from the Superintendency for Private Insurance - SUSEP. The company is at the pre-operational stage.

(d) Investment acquired on September 4, 2006; and sold in February 1,2007.

(e) Its activities are mainly the administration of investment funds. The company was sold on February 16, 2007, to the Bank's shareholders, at the book value of R$ 2,650, therefore, no income was calculated from this transactio

(f) Holding company of an investment of 19% of the ordinary shares and 61% of the preferred shares (equivalent to 40% capital) in the associated company J Malucelli Seguradora S.A. The calculation of equity in net income in the Insurance Company was made based on the financial statements at December 31, 2007, with the main balances being: (1) volume of shares held - 800,622 ordinary shares and 2,570,418 preferred shares; (2) shareholders' equity - R$ 65,487; (3) net profit for the year - R$ 11,897; (4) value of investment - R$ 41,273; (5) equity in income of investment - R$ 2,622. The goodwill calculated on the purchase of this investment refers to the difference between the value from issuing the Bank's shares arising from exercising the subscription from the first bonus, exercised by Advent International on August 29, 2007, and the book value of the Insurance Company's shares at July 31, 2007.

(g) Company purchased on December 28, 2007. This company operates in the rendering of the advisory and control services for discount operations in the payroll, and in the control and implementation of the franchised correspondents of the Bank and provides its own infrastructure for attending the public within the locations the Bank is interested in.

9 Subsidiaries and associated company - Domestic

	Bank					
	Tresor Holdings S.A. (a)	Paraná Administradora de Consórcio Ltda. (b)	J. Malucelli Vida e Previdência S.A. (c)	J. Malucelli Consultoria Empresarial S.A. (d)	J. Malucelli DTVM Ltda. (e)	Total
December 31, 2006						
Information of subsidiaries						
Number of outstanding quotas/shares (in thousands)	39	9,212	7,400	10	23,000	
Shareholders' equity	35,737	224	7,400	14	2,956	
Net income (loss) for the year	4,251	(166)	-	6	624	
Information of investment in subsidiaries						
Number of quotas/shares owned (in thousands)	39	9,212	7,399	10	22,998	
Percentage of interest	100.00%	99.99%	99.99%	99.99%	99.99%	
Movement of balances						
Beginning balances	55,386	-	-	-	4,228	59,614
Acquisition of investments	-	910	7,399	5	-	8,314
Reduction of capital	(16,000)	-	-	-	-	(16,000)
Equity in operating earnings (losses)	4,251	(186)	-	-	727	4,792
Amortization of goodwill	-	(500)	-	-	-	(500)
Dividends	(7,900)	-	-	-	(2,000)	(9,900)
Balances in investment	35,737	224	7,399	5	2,955	46,320
Balances with the Bank						
Assets	26,814	359	-	97	337	
Income	4,351	30	-	2	294	
Expenses	-	-	-	-	(28)	
Main accounts in balance sheet and statement of income						
Assets						
Cash and cash equivalents	1	2	7,400	4	34	
Short-term investments	26,813	359	-	95	2,875	
Investment in associated company	9,107	-	-	-	-	
Other	1,238	4	-	5	386	
Liabilities	(1,422)	(141)	-	(90)	(339)	
Shareholders' equity	35,737	224	7,400	14	2,956	
Income	5,768	30	-	22	2,076	
Expenses	(1,517)	(196)	-	(16)	(1,452)	

(a) Holding company of the 15% investment in the indirect associated company J. Malucelli Seguradora S.A. The equity in the net income of the insurance company was calculated based on the financial statements as of November 30, 2006, where the main balances of this associated company at this date are: (1) number of shares held - 1,264,140 (2) shareholders' equity - R$ 60,713 (3) net income for the year - R$ 9,446 (4) investment value - R$ 9,107 and (5) equity in earnings - R$ 1,417.

(b) Investment acquired on April 4, 2006; the company is inactive.

(c) Company incorporated on October 17, 2006; currently at the pre-operational stage.

(d) Investment acquired on September 4, 2006; the company is inactive.

(e) Its activities are mainly the administration of investment funds. The company was sold on February 16, 2007, to the Bank's shareholders, at the book value of R$ 2,650, therefore, no income was calculated from this transaction.

(In thousands of Reais)

10 Deposits

The breakdown by maturity term follows:

Bank

	Demand and other deposits		Interbank deposits		Time deposits	
Maturity	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
On demand	1,749	1,262	-	-	-	-
Up to 90 days	-	-	55,036	15,542	227,373	117,755
From 91 to 360 days	-	-	2,101	5,047	80,304	75,574
More than 360 days (a)	-	-	6,423	-	204,946	182,782
Total	1,749	1,262	63,560	20,589	512,623	376,111

Consolidated

	Demand and other deposits		Interbank deposits		Time deposits	
Maturity	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
On demand	1,059	1,253	-	-	-	-
Up to 90 days	-	-	55,036	15,542	227,112	114,035
From 91 to 360 days	-	-	2,101	5,047	205,544	93,247
More than 360 days (a)	-	-	6,423	-	289,917	247,264
Total	1,059	1,253	63,560	20,589	722,573	454,546

(a) As of December 31, 2007, the time deposits, within the maturity term of over 360 days, were obtained at rates ranging between 12.05% to 12.06% (15% to 16.5% in 2006) per annum in the fixed transactions and 105% to 107% (100% to 110%) of the variation recorded by the Interbank Deposit Certificates in floating transactions.

11 Money market repurchase commitments (Bank and Consolidated)

Refer to repurchase operations to settle, tied to federal government bonds, in the amount of R$ 1,386 (R$ 22,351 in 2006), maturing by January 2, 2008.

12 Acceptances and endorsements (Bank and Consolidated)

Refers to obligations on securities issued abroad obtained by issuing fixed rate notes to the amount of USD 31,000 thousand (USD 46,500 thousand in 2006), as follows:

Tranche (In thousands of US$)	Maturity	Annual interest rate	2007	2006
9,500	02/05/2007	7.9300%	-	22,164
6,000	06/22/2007	8.0000%	-	12,849
5,000	11/19/2007	8.0000%	-	11,213
6,000	02/13/2008	7.9852%	11,804	13,210
20,000	11/27/2008	7.6543%	35,696	43,035
5,000	02/13/2009	7.5209%	9,422	-
Total			56,922	102,471
Current			47,500	46,226
Non-current			9,422	56,245

(In thousands of Reais)

13 Other liabilities – other

	Bank		Consolidated	
Current	**2007**	**2006**	**2007**	**2006**
Provision for payments related to other administrative expenses	3,974	1,639	1,768	1,666
Repasses to assignees (a)	34,916	18,431	26,628	14,783
Accounts payable – credit card (b)	211	641	211	641
Other creditors - domestic	18,318	15,715	18,318	15,715
Borrowings	-	-	4,538	-
Other	4,373	1,020	4,568	1,271
Total	61,792	37,446	56,031	34,076

(a) Refers to loan amounts paid by customers, where the transaction to be written off in the loan portfolio has not yet been identified, and the amounts to be passed through to the assignees, referring to assigned credit, which is collected by the Bank.

(b) Refers to amounts payable to storekeepers.

	Bank		Consolidated	
Non-current	**2007**	**2006**	**2007**	**2006**
Provision for civil contingencies	1,330	1,269	1,330	1,269
Provision for labor contingencies	3,256	1,817	3,256	1,817
Advances from customers	-	-	914	-
Consortium funds not sought	-	-	128	-
Total	4,586	3,086	5,628	3,086

14 Provision for contingencies (Bank and Consolidated)

(In thousands of Reais)

The Bank and its subsidiaries are part of judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.

a. Composition of provisions

Based on information from its legal advisors, an analysis of the pending legal proceedings, and previous experience with regards to amounts claimed at labor courts, management recorded provisions for amounts considered sufficient to cover losses from the current actions, as follows:

	2007	**2006**
Civil	3,256	1,269
Labor	1,330	1,817
Tax	1,721	1,546
	6,307	4,632

b. Movements in the provisions

	Balances as of January 1	**Additions to the provision**	**Reversals**	**Paid**	**Balances as of December 31**
Civil	1,269	3,281	(526)	(768)	3,256
Labor	1,817	584	(1,026)	(45)	1,330
Tax	1,546	175	-	-	1,721
Total - 2007	4,632	4,040	(1,552)	(813)	6,307
Total - 2006	2,841	3,285	(956)	(538)	4,632

c. *Asset and liabilities contingencies*

There are other proceedings, as of December 31, 2006, assessed by the Bank's legal counsels as being a possible or remote risk relating to labor and civil claims to the amount of R$ 655 and R$ 6,589 (R$ 348 and R$ 6,147 in 2006), respectively, for which no provision was recorded considering that accounting practices adopted in Brazil do not require it to be recorded.

The Bank has other contingencies, as of December 31, 2007, involving tax issues to the estimated amount of R$ 2,234 (R$ 2,119 in 2006) rated as a possible or remote risk, for which no provision for losses has been recorded in the financial statements. The main proceedings are as follows:

- Social contribution: Proceeding contesting the tax assessment issued to collect the social contribution on the IPC 90 monetary restatement difference, a risk management estimates at R$ 986 (R$ 935 in 2006).

- INSS on freelance workers: judicial proceeding to dismiss the assessment notice referring to the demand for social security contributions resulting from workers being deemed not to be freelance. Bank management estimates the risk involved to be R$ 1,219 (R$ 1,156 in 2006).

No contingency gains were recorded in the years ended December 31, 2007 and 2006.

(In thousands of Reais)

15 Income and social contribution taxes

a. Current year tax charge

	Bank		Consolidated	
	2007	**2006**	**2007**	**2006**
Net income before taxes on income	77,933	68,277	84,421	60,758
Income and social contribution taxes charge at the nominal rates of 25% and 9%, respectively	(26,497)	(23,214)	(28,703)	(20,658)
Permanent deductions (additions)	12,463	4,384	12,061	3,464
Equity share in earnings of subsidiaries and associated company	1,566	1,629	1,342	482
Interest on own capital	10,433	2,788	10,433	2,788
Other	464	(33)	286	194
Income and social contribution taxes charged to income for the year	(14,034)	(18,830)	(16,642)	(17,194)

(In thousands of Reais)

b. Income and social contribution taxes reported in the statement of income

	Bank		Consolidated	
	2007	**2006**	**2007**	**2006**
Deferred taxes – Tax credits taken/realized on timing differences	12,955	(2,268)	11,128	863
Current taxes – Income and social contribution taxes payable	(26,989)	(16,562)	(27,770)	(18,057)
Total	(14,034)	(18,830)	(16,642)	(17,194)

(In thousands of Reais)

c. *Origin of deferred taxes*

	Bank		
	2007		
Description	**Balances as of January 1**	**Constitution/ realization**	**Balances as of December31**
Deferred income and social contribution taxes - assets			
On allowance for doubtful loans	3,271	3,319	6,590
On provision for tax, labor and civil contingencies	874	685	1,559
On market value adjustment of securities	5	(5)	-
	4,150	3,999	8,149
Deferred income and social contribution taxes - liabilities			
On deferred commission	12,625	(8,951)	3,674
On market value adjustment of securities	-	11	11
Net deferred income taxes - assets	12,625	(8,940)	3,685

(In thousands of Reais)

Description	Consolidated		
	2007		
	Balances as of January 1	Constitution / realization	Balances as of December31
Deferred income and social contribution taxes - assets			
On unearned income arising from transactions with the FIDCs	4,067	1,942	6,009
On allowance for doubtful loans	3,271	3,319	6,590
On provision for tax, labor and civil contingencies	874	685	1,559
On market value adjustment of securities	5	(5)	-
	8,217	5,941	14,158
Deferred income and social contribution taxes - liabilities			
On deferred commission	13,560	(5,182)	8,378
On market value adjustment of securities	-	11	11
Net deferred income taxes - assets	13,560	(5,171)	8,389

(In thousands of Reais)

Description	Bank		
	2006		
	Balances as of January 1	Constitution / realization	Balances as of December31
Deferred income and social contribution taxes - assets			
On allowance for doubtful loans	2,037	1,234	3,271
On provision for tax, labor and civil contingencies	780	94	874
On market value adjustment of securities	26	(21)	5
	2,843	1,307	4,150
Deferred income and social contribution taxes - liabilities			
On deferred commission	9,029	3,596	12,625

(In thousands of Reais)

Description	Consolidated 2006 Balances as of January 1	 Constitution / realization	 Balances as of December31
Deferred income and social contribution taxes - assets			
On unearned income arising from transactions with the FIDCs	-	4,067	4,067
On allowance for doubtful loans	2,037	1,234	3,271
On provision for tax, labor and civil contingencies	780	94	874
On market value adjustment of securities	26	(21)	5
	2,843	5,374	8,217
Deferred income and social contribution taxes - liabilities			
On deferred commission	9,028	4,532	13,560

(In thousands of Reais)

d. Projected realization of deferred tax assets on timing differences

Bank

	2007			
	Income tax	**Social contribution tax**	**Total**	**2006**
2007	-	-	-	835
2008	1,198	431	1,629	828
2009	1,198	431	1,629	828
2010	1,198	431	1,629	829
2011	1,199	432	1,631	830
2012	1,199	432	1,631	-
Total	5,992	2,157	8,149	4,150

The present value of the deferred tax assets, considering the average interbank rates, net of the tax impact is R$ 5,665 (R$ 2,441 in 2006).

(In thousands of Reais)

Consolidated

	2007			
	Income tax	**Social contribution tax**	**Total**	**2006**
2007	-	-	-	1,347
2008	3,832	1,379	5,211	2,961
2009	2,984	1,074	4,058	2,250
2010	1,199	432	1,631	829
2011	1,198	431	1,629	830
2012	1,198	431	1,629	-
Total	10,411	3,747	14,158	8,217

The present value of the deferred tax assets, considering the average interbank rates, net of the tax impact is R$ 10,706 (R$ 5,890 in 2006).

e. *Unrecognized deferred tax assets*

The Bank and its subsidiaries have no tax credits which were not recorded in the financial statements as of December 31, 2007 and 2006.

16 Shareholders' equity

a. Capital

The Bank's fully subscribed and paid in share capital consists of 60,600,000 (100,000,000 in 2006) common nominative shares and 16,013,645 preferred shares, held by shareholders domiciled in Brazil, and 29,947,139 preferred shares, held by shareholders domiciled abroad; all shares with no nominal value.

On February 28, 2007, an Extra-ordinary General meeting was held, during which the Bank's shareholders approved a capital increase, using the statutory reserves, for a capital increase of R$ 24,575 and the legal reserve for the amount of R$ 7,425, resulting in capital increasing from R$ 100,000 to R$ 132,000. This capital increase resulted in the issue of 32,000,000 ordinary nominative shares of R$ 1.00 each, with shares increasing from 100,000,000 to 132,000,000. The decisions taken in this meeting were homologated by the Central Bank of Brazil on May 29, 2007.

On April 27, 2007, an Extra-ordinary General meeting was held, during which the Bank's shareholders approved: (a) the grouping of all of the ordinary shares representing capital, at the rate of 2:1, such that 2 ordinary shares are now equivalent to 1 ordinary share, with the value of the Bank's capital maintained, but the number of shares representing capital decreasing from 132,000,000 shares to 66,000,000 shares; and (b) the conversion of 5,400,000 ordinary shares into preferred shares, at the rate of 1:1 observing the shareholders' respective interests, resulting in the Bank's capital being divided into 66,000,000 shares, being 60,600,000 ordinary shares and 5,400,000 preferred shares. Under the terms of legislation in force, the decisions taken in this meeting were homologated by the Central Bank of Brazil on May 31, 2007.

During the Board meeting, held on June 18, 2007, an increase in the Bank's capital was agreed, through the issue of 37,800,000 preferred shares, all nominative, with no par value and with no voting rights, which were made available through an Initial Public Offer, "IPO", resulting in the Bank's capital increasing from R$ 132,000 to R$ 661,200. These decisions were homologated by the Central Bank of Brazil on June 29, 2007.

During the Board meeting held on August 31, 2007, an increase in the Bank's capital was agreed, through the issue of 2,760,784 preferred shares, all nominative, with no par value and with no voting rights, which were the object of exercising the rights of subscription provided in the bonus 01/02 issued on April 27, 2007, belonging to "Fors Holding" (belonging to Advent International), resulting in the Bank's capital increasing from R$ 661,200 to R$ 699,851. This decision was homologated by the Central Bank of Brazil on October 10, 2007.

b. *Shares held in Treasury*

The Bank holds in Treasury a total of 1,159,700 preferred shares from its own issue, purchased on the market, for the amount of R$ 10,442 for future sale and/or cancellation. The market value of these shares, at December 31, 2007, was R$ 10,089.

c. *Capital reserve*

Refers to the restatement of the CETIP financial securities, which is conducted based on information provided by this entity.

d. *Revenue reserves*

The legal reserve is formed by 5% of the net income for the year, limited to 20% of the capital.

The statutory reserve refers to the reserve to complement the shareholders' equity, the objective of which is to guarantee funds to comply with regulatory and operational requirements related to the value of the Bank and its subsidiaries' shareholders' equity, which can be converted to capital through a decision during a Board of Directors Meeting, observing the limit for authorized capital, and observing the proposal of the Board of Directors, and can consist of up to 100% of the net profit remaining after the allocations to the legal reserve and the minimum compulsory dividend, but can not exceed the value of capital.

(In thousands of Reais)

e. *Dividends and interest on own capital*

Shareholders are assured minimum dividends of 25% of the net income for the year, adjusted pursuant to corporation law. The interest on shareholders' equity is calculated according to the criteria specified by existing tax legislation. The accounting records comply with the accounting guidelines issued by the Brazilian Central Bank, where the expense incurred is reclassified from the statement of income to retained earnings, in order to prepare and publish the financial statements in accordance with Circular 2739, article 3, issued by the Brazilian Central Bank on February 19, 1997. This interest lowered the tax charges recorded in the statement of income by R$ 10,433 (R$ 2,788 in 2006).

The statement calculating the dividends and interest on shareholders' equity is presented below:

	2007	**2006**
Consolidated net income for the year	67,779	43,564
Change of accounting policy	-	(6,979)
Unearned income arising from transactions with the FIDC	(3,880)	5,883
Net income for the year – Bank stand alone	63,899	42,468
Legal reserve	(3,195)	(2,123)
Change of accounting policy (a)	24,505	-
Calculation basis	85,209	40,345
Minimum dividends (25% of calculation basis)	21,302	10,086
Interest on own capital	30,682	8,200
Dividends	-	8,300
Total of interest on own capital and dividends paid/credited	30,682	16,500

(a) Bank management decided, voluntarily, to include the prior year adjustments resulting from the change in accounting practice in the calculation base for dividends and interest on own capital for 2007.

(In thousands of Reais)

17 Related party transactions

Bank

Description	Liabilities	Income	Expenses
	2007		
Demand deposits	826	-	-
Time deposits	89,252	-	10,740
Other accounts payable	2,206	-	-
Services rendered	-	-	1,185
Reimbursement of income/expenses	-	105	3,261
Rent	-	106	-

Bank

Description	Liabilities	Income	Expenses
	2006		
Demand deposits	336	-	-
Time deposits	108,938	-	14,243
Interbank deposits	-	-	247
Reimbursement of income/expenses	-	27	1,489
Rent	-	106	-

(In thousands of Reais)

Consolidated

	2007		
Description	**(Assets) Liabilities**	**Income**	**Expenses**
Loans	(2,906)	256	-
Demand deposits	136	-	-
Time deposits	88,878	-	10,394
Services rendered	-	-	1,185
Reimbursement of income/expenses	-	86	1,506
Rent	-	90	-

Consolidated

	2006		
Description	**Liabilities**	**Income**	**Expenses**
Demand deposits	327	-	-
Time deposits	81,340	-	9,812
Reimbursement of income/expenses	-	-	1,489
Rent	-	90	-

The time deposits and other transactions with related parties are executed on an arm's-length basis.

(In thousands of Reais)

18 Other administrative expenses

	Bank		Consolidated	
	2007	2006	2007	2006
Commissions	(74,281)	(45,677)	(61,451)	(42,925)
Specialized technical services	(15,831)	(9,116)	(15,958)	(9,549)
Data processing	(2,666)	(2,080)	(2,673)	(2,080)
Advertising and marketing	(1,332)	(2,070)	(1,448)	(2,090)
Financial system service expenses	(1,650)	(1,561)	(1,650)	(1,719)
Communications	(1,410)	(1,101)	(1,571)	(1,101)
Transportation/travel	(691)	(785)	(764)	(785)
Special offers and public relations	(722)	(716)	(722)	(716)
Maintenance material	(525)	(369)	(564)	(369)
Stationary	(440)	(140)	(472)	(140)
Other	(7,164)	(5,595)	(9,364)	(5,745)
Total	(106,712)	(69,210)	(96,637)	(67,219)

The expenses from the IPO amounted to R$ 19,506, during the year ended December 31, 2007, and were recorded as commission and brokerage fees - R$ 16.472, specialized technical services - R$ 2.565, and others - R$ 469.

(In thousands of Reais)

19 Other operating income and expenses

	Bank		Consolidated	
	2007	**2006**	**2007**	**2006**
Other income				
Fee charged on early payment	14,475	-	14,475	-
Recovery of expenses and charges	360	210	360	183
Foreign exchange variation	9,656	5,277	9,656	5,277
Reversal of provision for contingencies	1,552	956	1,552	956
Other	377	461	719	556
Total	26,420	6,904	26,762	6,972
Other expenses				
Losses with ceded loans	(3,926)	-	(6,615)	-
Provision for contingencies	(4,720)	(3,285)	(4,720)	(3,285)
Other	(867)	(1,124)	(918)	(1,326)
Total	(9,513)	(4,409)	(12,253)	(4,611)

(In thousands of Reais)

20 Financial instruments

The main financial instruments as of December 31, 2007 and 2006 refer to securities, which are valued at market value and disclosed in note 6, the loans, time deposits and acceptances and endorsements, whose market values are:

	Bank		**Consolidated**	
	2007	**2006**	**2007**	**2006**
Loans	966,415	530,215	1,246,480	643,801
Time deposits	510,549	375,743	720,499	454,509
Acceptances and endorsements	56,318	102,363	56,318	102,363

The market values were calculated by discounting cash flows according to the ruling contractual conditions and market rates at the reporting date. The carrying value of the other financial instruments approximates the market value at the reporting date.

a. Credit risk

The Bank's credit policies are established by Management and aim to minimize possible problems arising from defaults by clients. This objective is achieved from careful credit analysis of the client portfolio, and considers the ability to make payment (credit analysis) and diversification of products (risk is spread). The Bank also has an allowance for doubtful loans, for the amount of R$ 29,019 (R$ 24,024 in 2006) and R$ 38,464 (R$ 24,569 in 2006) in Consolidated, to cover credit risk.

b. Foreign exchange rate risk

The Bank's results are subject to significant variations from the effects of fluctuations in the foreign exchange rate on liabilities tied to foreign currencies, mainly the US dollar, which closed 2007, reporting a devaluation of 17.2%.

(In thousands of Reais)

As a prevention strategy and a means of reducing the effects from fluctuations in exchange rates, Management has adopted a policy of partial hedging against the risk from foreign currency variations, using swap operations, as presented in the following table:

Bank and Consolidated	**2007**	**2006**
Fixed rated notes	56,922	102,471
Swap operations	(28,242)	(78,035)
Net exposure	28,680	24,436

c. ***Interest rate risk***

The Bank's results are affected by significant variations arising from operations contracted at floating and pre-fixed interest rates. Management controls the interest rate and liquidity risks through systems that include VaR, reports on profitability, liquidity and other management reports.

21 Other information

a. The Bank maintains shareholders' equity compatible with the level of risk presented by its asset structure, calculated on a consolidated basis with J. Malucelli Distribuidora de Títulos e Valores Mobiliários Ltda., which constitute the Financial Conglomerate, pursuant to BACEN Resolution 2099/94 and subsequent regulations. On December 31, 2007 the adjusted shareholders' equity accounted for 67.6% (20.4% in 2006) of the risk-weighted assets, greater than the minimum required index of 11%.

b. The Bank has a computer and data processing equipment leasing agreement with a remaining term of 28 months. Leasing expenses in the year amounted to R$ 469 (R$ 395 in 2006).

c. The guarantees awarded by the Bank amounted to R$ 532 (R$ 314 in 2006).

d. The Bank and its subsidiaries sponsor a supplementary pension plan for its employees, which acceded to the plan making defined contributions, in the financial capitalization scheme, which was introduced in December 2004. The Bank and its subsidiaries are only responsible for the administrative expenses and the costs related to the insurance premium for participants' disability and death benefits. In the year ended December 31, 2007 the contributions amounted to R$ 323 in the Bank and R$ 327 in Consolidated (R$ 244 in the Bank and R$ 271 in Consolidated in 2006). The contributions related to accumulation of the plan's obligations are shouldered in full by the participants.

e. The subsidiary J. Malucelli Distribuidora de Títulos e Valores Mobiliários Ltda. manages investment funds, whose net assets as of December 31, 2007 amount to R$ 408,690 (R$ 337,400 in 2006).

22 Subsequent events

a. On January 15, 2008, the Bank's Management Board approved the acquisition of 3,792,420 ordinary shares issued by J. Malucelli Seguradora S.A., through the subsidiary Porto de Cima Holding Ltda., for the total amount of R$ 64,016. As a result of this purchase, the Bank now holds, indirectly, 99.99% of the voting capital and total capital of this Insurance company. On the same date, the seller of the shares in the Insurance company exercised the subscription right to 4,572,548 of the Bank's nominative preferred shares, for the same amount.

b. On January 3, 2008, Provisionary Measure 413 was published, which, amongst other measures, altered the rate for Social Contribution on Net Profit – CSLL, for private insurance and capitalization corporate entities and those referred to in clauses I to XII of paragraph 1 of article 1 of Complementary Law 105/01, from 9% to 15%. This increase in rate will come into force, according to the Provisionary measure, as from May 2008. The alterations introduced by the Provisionary Measure will only become effective after approval by the Legislative Power, which has still not occurred. Thus, the deferred tax assets and liabilities were registered in the balance sheet at December 31, 2007 in accordance with the rate defined in legislation in force on this date. Management evaluated that the impacts from the increase in the rate forecast in the Provisionary measure, if this becomes law, will not be significant for the Bank.

c. Management is considering the possible impacts on the financial statements caused by the approval of Law 11,638/07, which alters the rulings provided in Law 6,404/76 (Corporation Law). Management's preliminary view is that no significant adjustments are anticipated for the Bank's shareholders' equity and results.

(In thousands of Reais)

23 Statements of cash flows - Indirect method

	Bank			Consolidated	
	Second half	Year		Year	
	2007	2007	2006	2007	2006
Cash flows from operating activities					
Adjusted net income for the period/year	52,634	74,143	69,984	89,417	64,208
Net income for the period/year	50,877	63,899	49,447	67,779	43,564
Adjustments to net income:					
Depreciation and amortization	167	311	226	322	243
Equity in operating earnings of subsidiaries and associated company	(2,779)	(4,606)	(4,792)	(1,417)	(1,417)
Amortization of goodwill	-	-	500	-	-
Allowance for doubtful loans	14,481	27,492	22,335	36,391	22,880
Deferred income and social contribution taxes	(10,114)	(12,955)	2,268	(11,128)	(1,062)
Deferred income	2	2	-	2	-
Minority interest	-	-	-	(1)	-
Changes in assets and liabilities	(103,535)	(704,211)	(201,043)	(827,966)	(299,227)
Market value adjustments - Securities	26	30	41	30	41
(Increase) in interbank funds invested	(265,405)	(236,215)	(22,648)	(245,818)	(25,949)
Decrease (increase) in securities	506,797	(62,475)	(49,240)	(28,620)	(13,050)
(Increase) decrease in interbank accounts (net of assets/liabilities)	(477)	(2)	(11)	(2)	(11)
(Increase) in loans	(377,228)	(454,705)	(139,352)	(585,294)	(264,004)
Decrease (increase) in other receivables	12,361	10,572	(7,649)	3,053	(10,317)
(Increase) in other assets	(18,963)	(22,514)	(10,539)	(33,599)	(13,291)
Increase in derivative financial instruments	859	3,578	3,343	3,578	3,343
Increase in other liabilities	38,495	57,520	25,012	58,706	24,011
Net cash used in operating activities	(50,901)	(630,068)	(131,059)	(738,549)	(235,019)
Cash flows from investing activities					
Disposal of subsidiary	-	2,655	-	-	-
Dividends received from subsidiaries	-	1,136	9,900	610	-
Capital reduction of subsidiary	-	25,827	16,000	-	-
Disposals of fixed assets for own use	5	5	2	5	2
Disposals of other investments	-	-	-	-	180
Acquisition of other investments	-	(3)	-	(3)	-
Acquisition of investments	(38,804)	(38,804)	(8,314)	(38,779)	(115)
Acquisition of fixed assets for own use	(309)	(643)	(237)	(1,414)	(239)
Acquisition of deferred charges	(45)	(224)	(205)	(224)	(205)
Net cash (used in) from investing activities	(39,153)	(10,051)	17,146	(39,805)	(377)
Cash flows from financing activities					
Increase in deposits	139,974	179,970	93,199	310,805	222,214
Increase (decrease) in money market repurchase commitments	(32,532)	(20,965)	2,949	(20,965)	2,949
Increase (decrease) in acceptances and endorsements	(14,586)	(45,549)	49,787	(45,549)	49,787
Interest on own capital	(30,682)	(30,682)	(8,200)	(30,682)	(8,200)
Shares held in treasury	(10,442)	(10,442)	-	(10,442)	-
Capital increase	38,651	567,851	-	567,851	-
Dividends	-	-	(25,300)	-	(25,300)
Net cash from financing activities	90,383	640,183	112,435	771,018	241,450
Increase (decrease) in cash and cash equivalents	329	64	(1,478)	(7,336)	6,054
Cash and cash equivalents at beginning of the period/year	99	364	1,842	7,906	1,852
Cash and cash equivalents at end of the period/year	428	428	364	570	7,906

FORM OF FINAL TERMS

The Final Terms in respect of each Series of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [•]

Paraná Banco S.A.
U.S.$300,000,000 Medium Term Note Programme
Series No. [•]
[Title of Notes] due [•]

This document constitutes the Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [•] [and the supplemental Offering Circular dated [•]]. This Final Terms must be read in conjunction with such Offering Circular [as so supplemented]. This Final Terms, together with the Offering Circular, forms one document constituting the listing particulars in relation to the Notes.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO U.S. PERSONS, EXCEPT AS PERMITTED BY REGULATION S OR CERTAIN OTHER EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT ("REGULATION S").

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub- paragraphs. Italics denote directions for completing the Final Terms.]

	Issuer:	Parana Banco S.A.
	Series and Series Number (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible):	[•]
	Specified Currency or Currencies (Condition 6(a)):	[•]
	Interest Payment Basis:	[Fixed Rate (Condition 5(a)] [Zero Coupon (Condition 5(b)] [Other (*specify*)] (further particulars specified below)
	Principal Amount:	[•]
	a. Issue Date:	[•]
	b. Interest Commencement Date:	[•] (*If other than the Issue Date*)
	a. Issue Price:	[•] per cent of the Principal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	b. Net proceeds:	[•] (*Required only for listed issues*)
	Maturity Date:	[*specify date*]

	Specified Denominations:	[•] [•]
		Notes will be issued with minimum denominations of Eur 50,000 (or its equivalent in another currency), and higher integral multiples of Eur 1,000.
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE		
	Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	Fixed Rate(s) of Interest:	[•] per cent, per annum payable [annually/semi-annually/ quarterly/monthly] in arrear
	Fixed Interest Payment Date(s):	[•]
	Initial Interest Amount:	[*amount of first payment of interest*]
	Final Interest Amount:	[*amount of final payment of interest*]
	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	Accrual Yield:	[•] per cent per annum
	Reference Price:	[•]
	Any other formula/basis of determining amount payable:	[•]

PROVISIONS RELATING TO REDEMPTION		
	<u>Call Option:</u>	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	Optional Redemption Date(s) (Call):	[•]
	Optional Redemption Amount(s) (Call) of each Note and method, if any, of calculation of such amount(s):	[•] per Note of [•] specified denomination
	If redeemable in part:	
	Minimum Redemption Amount:	[•]
	Maximum Redemption Amount:	[•]
	Notice period:	[•]
	<u>Put Option:</u>	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	Optional Redemption Date(s) (Put):	[•]
	Optional Redemption Amount(s) (Put) and method, if any, of calculation of such amount(s):	
	Notice period:	[•]
	Final Redemption Amount: (Condition 7(a))	[•] per cent per [•] in nominal amount
	Early Redemption Amount(s) payable on redemption for taxation reasons, at the election of the Noteholders, on event of default and/or the method for calculating the same (if required or if different from that set out in Condition 7(e)):	[Not Applicable][[•] per cent per [•] in nominal amount]
GENERAL PROVISIONS APPLICABLE TO THE NOTES		
	Form of Notes:	<u>**Bearer Notes:**</u> [Temporary Global Note exchangeable for a Permanent Global Note]

		[Permanent Global Note exchangeable for Definitive Notes] [Definitive Note] **Registered Notes**: [Registered Global Note exchangeable for Definitive Notes]
	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(ii), 17(iv) and 19(vii) relate*]
	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
	Applicable "Business Day" definition, if different from that set out in <u>Section 2.02(d)</u> of the Indenture	[Not Applicable/*give details*]
	Listing:	Application has been made for the Notes to be listed on the Luxembourg Stock Exchange (Euro MTF Market) /other (*specify*)/None]
	Covenants to be complied with by the Issuer for so long as any Note under the relevant Series remains Outstanding:	[Not Applicable/*give details*]
	Any required rating applicable to the Notes:	[Not Applicable/*give details*]
	Other terms or special conditions:	[Not Applicable/*give details*]
DISTRIBUTION		
	If syndicated, names of Dealers and Lead Manager:	[Not Applicable/*give names*]
	Stabilising Manager (if any):	[Not Applicable/*give name*]
	Commissions and Concessions:	[Not Applicable/*give name*]
	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
	Additional selling restrictions:	[Not Applicable/*give details*]
OPERATIONAL INFORMATION		
	ISIN Code:	[•]

	Euroclear and Clearstream Common Code:	[•]
	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
	Delivery:	Delivery [against/free of] payment
	Principal Paying Agent:	[•]
	Additional Paying Agent(s) (if any):	[•]

LISTING APPLICATION

This Final Terms comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$300,000,000 Medium Term Note Programme of Paraná Banco S.A.

STABILIZING

In connection with the issue of Notes, [*enter name of Stabilizing Manager*] (the "Stabilizing Manager") (or persons acting on behalf of any Stabilizing Manager) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or overallotment shall be conducted in accordance with applicable law.

MATERIAL ADVERSE CHANGE STATEMENT

There has been no significant change in the financial or trading position of the Issuer and its subsidiaries (taken as a whole) since [*insert date of last audited accounts or interim accounts, if later*] and no material adverse change in the financial position or prospects of the Issuer and its subsidiaries (taken as a whole) since [*insert date of last publish annual accounts*].

GOVERNING LAW AND JURISDICTION

The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with the law of the State of New York. The Issuer has submitted to the jurisdiction of any federal or state court in The City of New York for purposes of any legal suit, action or proceeding arising out of or related to the Notes. The Issuer has also further submitted to the jurisdiction of the courts of its corporate domicile in any legal suit, action or proceeding arising out of or relating to the Notes.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Final Terms.

Signed on behalf of the Issuer:

By: ____________________________
Duly authorized

ACKNOWLEDGEMENT

LEAD MANAGER

By: ____________________________

Duly authorized

cc: Trustee

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OF THE ISSUER

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