



SMBC

BANCO SUMITOMO MITSUI BRASILEIRO S.A.

ANNUAL REPORT 2008

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The symbol

The symbol of SMBC was born with the concept of “Rising Mark”, which means the new Bank’s growth through the application of the diverse skills of SMBC staff to provide progressive, value-added financial services, to contribute to the welfare of customers. The “fresh green” and the “trad green” were selected as the two corporate colors. Fresh green is used in the Rising Mark to express Bank’s youthful, knowledgeable and friendly approach, while trad green is used as the symbol’s background and text color to represent our tradition, reliability and stability.

ANNUAL REPORT

1 Introduction

BANCO SUMITOMO MITSUI BRASILEIRO S.A.

BANCO SUMITOMO MITSUI BRASILEIRO S.A. ("BSMB"), subsidiary of Sumitomo Mitsui Banking Corporation ("SMBC"), is duly organized under the laws of Brazil with commercial bank portfolio, and initiated its activities as a multiple bank, adding to its activities the investment portfolio since 1989.

The Bank was incorporated in the 50's decade, under the name of Casa Bancária Brazcot Ltda.

The former Sumitomo Bank, Limited ("SBL") acquired 60% of the bank shareholding control, time at which the Bank became the SBL's second overseas subsidiary, changing its denomination to "Banco Sumitomo Brasileiro S.A."

And finally, from April 1st, 2001, at the same time that the newly formed Sumitomo Mitsui Banking Corporation ("SMBC") initiated its activities, as a result of the merger between the Sakura Bank, Limited and Sumitomo Bank, Limited, the Brazilian subsidiary initiated activities with new name, BANCO SUMITOMO MITSUI BRASILEIRO S.A.

From economical and operational side, the recent period has resulted in a complete emphasis put in place towards wholesale banking with BANCO SUMITOMO MITSUI BRASILEIRO S.A. assisting its customers in a number of areas of expertise such as trade finance, commercial lending, structured finance and financial advisory, by targeting especially Japanese business affiliates as well as foreign companies, Brazilian public and private corporations.

Sumitomo Mitsui Banking Corporation

Sumitomo Mitsui Banking Corporation (SMBC) was established in April 2001 through the merger of two leading banks: The Sakura Bank, Limited, and The Sumitomo Bank, Limited. Sumitomo Mitsui Financial Group, Inc. was established through a stock transfer as a holding company, and SMBC became a wholly owned subsidiary of SMFG.

SMBC's competitive advantages include a strong customer base, the quick implementation of strategies, and an extensive lineup of financial products and services that leverage the expertise of strategic Group companies in specialized areas. SMBC, as a core member of SMFG, works together with other members of the Group to offer customers highly sophisticated, comprehensive financial services.

SMBC has a conglomerate of 473 Branches and 19 Overseas Branches (excluding sub branches and representative offices), having at March 2008 the total assets reaching to 108,637.7 billion yen.

The SMBC's goal is to achieve a superior standing in profitability and soundness, becoming an internationally competitive financial institution fully capable of contributing to the stability of the financial system and economic development.

Sumitomo Mitsui Financial Group

On December, 2002 Sumitomo Mitsui Banking Corporation (SMBC) established a holding company named Sumitomo Mitsui Financial Group, Inc. (SMFG) through a share transfer, and SMBC then becomes a wholly-owned subsidiary of SMFG.

On March, 2003 SMBC merged with Wakashio Bank (merged bank's name: Sumitomo Mitsui Banking Corporation).

The companies of the Sumitomo Mitsui Financial Group (SMFG) offer a diverse range of financial services, centered on banking operations, and including credit card services, leasing, information, services, and securities. SMFG has a total capital of 1,420.9 billion yen as of 2008.

Sumitomo Mitsui Financial Group's mission is to provide optimum added value to the customers and together with them achieve growth; to create sustainable shareholder value through business growth; and to provide a challenging and professionally rewarding work environment for the dedicated employees.

2 Brazilian Operations

Business Strategy

BANCO SUMITOMO MITSUI BRASILEIRO S.A. has as target market the corporate sector in regards to credit concession, however, in some business sectors maintain relationship with smaller size companies, or even with individuals for funding purposes in Asset Management sector.

Lending

The lending activities of BANCO SUMITOMO MITSUI BRASILEIRO S.A. follow conservative credit criteria based on which credit extensions are granted to companies with which the Bank can develop longstanding relationships. In this sense, it is the Bank's policy to target Brazilian subsidiaries of Japanese and multinational corporations, as well as prime Brazilian private sector companies.

Credit Operations Portfolio Breakdown by Sector (as of June 30th)

Sector	(in millions of R\$)	
	<u>2008</u>	<u>2007</u>
Private:		
Industry	395.738	173.354
Commerce	60.017	28.251
Other services	42.877	-
Individuals	<u>33</u>	<u>30</u>
Total	498.665	201.635

Treasury

Banco Sumitomo Mitsui Brasileiro S.A. performs interbank transactions and some treasury business with the customers, in order to accomplish their needs. It has a conservative profile, in the transactions performed, always aiming at the profitability and security of the transactions.

The Time Deposit Market

BANCO SUMITOMO MITSUI BRASILEIRO S.A. is active in the certificate of deposit (CDB) market.

The Interbank Market

In addition to issuing certificates of deposits, BANCO SUMITOMO MITSUI BRASILEIRO S.A. has the policy of maintaining sound relationships with first tier banks.

All brokers with which it deals are approved and regularly reviewed by the local management.

US Dollar Funding

The total funding of BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s external resources is performed with SMBC New York agency. The credit lines from SMBC are used for Resolution 2770 on-lending's, export and import finance, as well as foreign currency operations.

Asset Management Activities

BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s Asset Management has been and will be making efforts to offer well-managed administration and service of various mutual funds to investors. BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s funds meet investors' demand with high quality. Investment policy is developed by making long-term macroeconomic scenarios and short-term market expectations. This investment policy and also good risk management method enable to assure reasonable return on investment.

Asset Management has as main target the security and preservation of the quota holders' investments, adopting a very conservative investment policy, however without looking for the best opportunities in order to assure a competitive profitability.

Assets under management are kept segregated from BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s own resources administration and therefore not reported as balance sheet items.

As of June 30, 2008, BANCO SUMITOMO MITSUI BRASILEIRO S.A. managed investment funds with a combined portfolio of R\$ 331.020.807,00, distributed in 7 investment funds, which 4 are open and 3 are exclusive.

Funds under Management (as of June 30th, 2008 and December 31st, 2007)

Fund	Net Worth (in millions of R\$)	
	<u>2008</u>	<u>2007</u>
SM Plus FI Multimercado	370.788,86	367.288,04
SM Master Plus FI Ref.DI CPLP	213.738.960,48	206.340.557,22
SM Special V FIC FI Multimercado	7.532.300,43	8.589.292,58
SM Prev FI Multimercado	17.772.356,10	16.978.251,68
SM Platinum Plus FIC FI Ref.DI CPLP	72.204.677,83	73.716.979,73
SM FIC FIM Pactual High Yield	16.637.765,90	13.465.780,66
SM FI Cambial	2.763.957,97	4.647.182,84
Total	331.020.807,57	324.105.332,75

Performance

Balance Sheet

At the closing of June, 2008, the Bank presented total assets of R\$ 1,033.807.00 and net worth of R\$ 226,475.000.00. Most of the liabilities obtained to fund BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s assets were provided by Sumitomo Mitsui Banking Corporation, New York, under import, exports, Resolution 2770, which represents 47% of the funding in regards to liabilities and 51% of the own net worth of the Bank.

Income Statement

BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s net income after taxes for June end, 2008 was of R\$ 5,447.000.00, representing a profit of approximately 13,31% for each thousand of shares.

Due to the Bank's customer oriented profile, the main sources of gains were credit operations (loans, onlendings, export and import finance), intermediation of structured transactions and treasury transactions played a major role in contributing to revenues generation.

3 Risk Control and Loan Loss History

After the previous approval performed by the local credit committee, the Credit Analysis department prepares the credit documentation with a detailed analysis of customer, financing, market data, as well as other risk factors, submits to approval of Management and, subsequently, to the credit approval unit.

After the final approval the approved lines are inserted into the local and global credit system for the using control purposes.

Credit exposure and credit quality reviews are thoroughly performed at least semi-annually.

The Asset and Liability Committee review assets and liabilities positions in regards to changes in market conditions, economic perspectives and financial indicators.

BANCO SUMITOMO MITSUI BRASILEIRO S.A. considers its internal credit controls conservative, as demonstrated by its loan loss history, being its policy of effectively minimizing risk and maximizing the quality of its portfolio.

Operational Risk

Operational Risk is defined as the possibility of occurrence of loss resulting from deficiency or inadequacy of internal processes, human behavior and systems, or still, resulting from external events. In this definition, includes the legal risk and business risk, but not reputation risk.

The Operational Risk management structure is considered a strategic and competitive factor to demonstrate that BANCO SUMITOMO MITSUI BRASILEIRO S.A. is a financial institution that seeks the adoption of the best practices and procedures in Operational Risk management, as well as for the effective management of economic and regulatory capital.

The Operational Risk Management unit of BANCO SUMITOMO MITSUI BRASILEIRO S.A. is subordinated to the President of the Institution, is responsible for coordinating the activities related to operational risk and has, among other objectives, the accomplishment of the dispositions of Resolution 3.380/06 from Brazilian Central Bank and Basel II. This structure also has, as collaborators, other Directorships and managers of the other departments in the Institution.

To assure the implementation of the guidelines and policies in force, two committees were established: the Senior Management Committee and the Work Group Committee.

The Board of Directors, in line with its Corporate Governance policy, recognizes, participates and shares the responsibility towards a continuous enhancement in such structure, aiming to assure the accomplishment of the established objectives and targets and the security and quality to the customers, shareholders and parties related to the Bank.

In April 30, 2008, the Circular 3.383, which established the procedures for calculation of the Required Capital Adequacy (PRE) installment related to operational risk, which is mentioned by Resolution 3.490, issued in 2007. BANCO SUMITOMO MITSUI BRASILEIRO S.A. decided to perform the calculation based in the Basic Indicator Approach, also known as "BIA".

Market Risk

The Market Risk is the possibility of occurrence of losses due to the price variation, indexes and rates about the non vinculation of deadlines, currencies and indexes of the asset and liabilities portfolio. BANCO SUMITOMO MITSUI BRASILEIRO S.A. adopts a policy and a very conservative exposure to market risk factors.

The Risk Management Department is an independent unit of risk calculation which is subordinated to the President of BANCO SUMITOMO MITSUI BRASILEIRO S.A. and it is responsible for the credit and market risk management, with the objective of assuring that sensible practices and suitable techniques of risk control are in place.

The Market Risk Management policy is based in the daily control of the Bank's market risk positions, in the control of Limits for the positions, divided in Limits for exposure to interest rate and Limits for exposure to foreign exchange rates and also in Limits/Guidelines for Stop Loss. Besides that, Market Risk Management Department monitors the market risk also through the Value at Risk (VAR) parameter and stress tests.

In order to assure the implementation of the guidelines and policies in force, BANCO SUMITOMO MITSUI BRASILEIRO S.A. has implemented the Asset and Liability Committee (ALM), that is held ordinarily once a month and extraordinarily when deemed necessary. Among its objectives are the deliberation about market and liquidity risk management policy and the assurance of accomplishment of the limits/directives for market and liquidity risk, verification of procedures in the treatment of new products and its risk management structure.

Loan and Investment Loss History

The general reserve policy is to make non-specific provision in accordance to the general conservative policy adopted by BANCO SUMITOMO MITSUI BRASILEIRO S.A..

As per regulation of the Brazilian Central Bank the special reserve is required for any unsecured loan, which has been overdue in excess of 60 days.

The following table shows the amount of BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s general reserve for credit operations by risk level as of June 30, 2008. It is important to emphasize that in this period BANCO SUMITOMO MITSUI BRASILEIRO S.A. did not have transactions in delay.

General Reserves

Rating	Reserve %	2008			2007		
		Lending portfolio	Reserve	% of Portfolio	Lending Portfolio	Reserve	% of Portfolio
AA	-	388,072	876	77,82%	199,791	418	99,09%
A	0,5	109,335	603	21,93%	30	1	0,01%
C	3,0	<u>1,258</u>	<u>61</u>	<u>0,25%</u>	<u>1,814</u>	84	<u>0,90%</u>
Total		<u>498,665</u>	<u>1,540</u>	<u>100,00%</u>	<u>201,635</u>	<u>503</u>	<u>100,00%</u>

BANCO SUMITOMO MITSUI BRASILEIRO S.A. also makes provisions in respect of any investment in marketable securities in order to reflect their current market value. These provisions, which are recorded separately in BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s financial statements were R\$ - 5,281.000.00 for June 30, 2008.

4 Corporate Committees

Compliance Committee

BANCO SUMITOMO MITSUI BRASILEIRO S.A. Compliance Committee has the purpose of ensuring the sound and appropriate management of BANCO SUMITOMO MITSUI BRASILEIRO S.A. activities. Enhance the support to management in the institution strategy, policies and measures adopted. Additionally, the internal controls dissemination, risk mitigation and compliance with the applicable local and international laws and regulations.

Operational Risk Management Committee

Management Committee

The objective is to inform Management regarding the operational risks events. The topics are as follows:

- General view of internal and external operational risk events;
- Inherent and residual risks;
- Operational risk events database;
- Business Continuity Plan;
- Accomplishment to the regulations in force.

Work Group Committee

The Work Group Committee has the objective of having a forum for discussion and revision of operational risks by department heads (as well as other types of risks resulting from operational factors) and, additionally, generates a wide understanding about operational risk issues in all company levels in key departments exposed to risk. The Committee's objectives are as follows:

- Capacitates the organization to allow the anticipation of the most critical risks more effectively;
- Modifies the behavior in order to reduce operational risk and intensify "control culture" within the organization;
- Introduces objective information aiming that the services offered by the organization consider the operational risks.

New Products and Services Committee

Objectives

- Analyzes the issues involved in the development of new products and services.
- Recommends the approval or rejection of the New Product and Service to the BANCO SUMITOMO MITSUI BRASILEIRO S.A. management, who will determine whether it may be implemented.
- Evaluates ways to improve existing products and services as well as their discontinuation.
- Proposes the creation or modification of existing products and services to the Management.
- Keeps all required documentation and lists of products and services.

Investment Committee

Objective

- Evaluates and decides about funds allocation possibilities for Investment Funds, exclusive or not.
- Approves procedures and criteria needed for the development of Asset Management activities.
- Oversees on the return of investments funds compared to related benchmark.
- Maintains the Asset Management activities according to the Brazilian Securities Commission – CVM and Central Bank rules and regulations.

5 Management

Management

Board members meet regularly and are responsible for the strategic issues related to BANCO SUMITOMO MITSUI BRASILEIRO S.A., except for the Assistant Director who is responsible for third parties funds management. Board members also supervise the development of activities of Banco Sumitomo Mitsui Brasileiro and advise management on lending and treasury policies.

Below Board level, the Credit Committee is responsible for credit approvals and credit reviews, the Asset and Liability Committee for strategic decisions regarding assets and liabilities, with each department overseeing the activities falling within its scope.

The current members of BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s Board of Directors are the following:

Toshiro Kubota	President
Yuji Kurihara	Deputy President
Roberto Isamu Ono	Director
Taku Matsumoto	Director
Roberto Hitoshi Mizuno	Director
Edson Eiji Takakura	Assistant Director

Employees

At the closing of June, 2008, BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s counted on 87 employees.

BANCO SUMITOMO MITSUI BRASILEIRO S.A.'s has established a continuous education program for its employees. The technical trainings aim the improvement and knowledge updating of Employees with the purpose of improving the quality of daily services. All Employees are eligible to this program, as long as they have been working for the Bank for more than three (3) months.

6 Financial Statements

BANCO SUMITOMO MITSUI BRASILEIRO S.A. As of June 30, 2008

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
BANCO SUMITOMO MITSUI BRASILEIRO S.A.
São Paulo – SP

1. We have audited the accompanying balance sheets of BANCO SUMITOMO MITSUI BRASILEIRO S.A. ("the Bank") as of June 30, 2008 and 2007, and the related statements of income, changes in shareholders' equity, and changes in financial position for the six-month periods then ended, all expressed in Brazilian reais and prepared under the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal controls systems of the Bank; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of BANCO SUMITOMO MITSUI BRASILEIRO S.A. as of June 30, 2008 and 2007, and the results of its operations, the changes in shareholders' equity, and the changes in its financial position for the six-month periods then ended, in conformity with Brazilian accounting practices prior to the enactment of Law nº. 11638/07.
4. As mentioned in note 20, on December 28, 2007, Law nº. 11638 was enacted, altering, revoking and adding new provisions to Law nº. 6404/76 (Brazilian Corporate Law). This Law is effective for fiscal years beginning on or after January 1, 2008 and introduced changes in Brazilian accounting practices. Although this Law has already become effective, certain changes introduced by it are subject to regulation by the National Monetary Council (CMN) and the Central Bank of Brazil before being fully applied by institutions regulated by the Central Bank and the CMN. Accordingly, during this transition phase, the Central Bank of Brazil, through Release nº. 16669, of March 20, 2008, has permitted institutions not to apply the provisions of the Law nº. 11638/07 in the preparation of the interim financial statements. Thus, the financial statements referred to in paragraph 1 have been prepared in conformity with specific instructions of the Central Bank of Brazil and do not include the changes in accounting practiced introduced by Law nº. 11638/07.
5. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, July 28, 2008.

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

BANCO SUMITOMO MITSUBISHI BRASILEIRO S.A.

BALANCE SHEETS AS OF JUNE 30, 2008 AND 2007
(in thousands of Brazilian reais - R\$)

	Note	2008	2007	LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2008	2007
ASSETS							
CURRENT ASSETS							
Cash		751,543	699,430	Deposits		688,508	609,118
Interbank investments		32,473	10,104	Demand deposits	9	222,942	300,036
Money market investments	3	116,743	354,670	Foreign currency deposits		16,767	17,213
Interbank deposits		5,830	323,047	Time deposits		117	8
Securities and derivatives	4.a	110,913	31,623	Other deposits		206,057	282,470
Own portfolio		93,617	91,516	Money market funding		1	345
Interbank accounts		626	481	Own portfolio	10	35,666	70,718
Payments and receipts pending settlement		7	10	Third parties		-	70,718
Deposits with Central Bank of Brazil		445	392	Interbank accounts		454	99
Domestic correspondents		174	79	Payments and receipts pending settlement		454	99
Lending operations	5	277,207	88,624	Interbranch accounts		16,717	14,666
Private sector		278,015	88,837	Third-party funds in transit		16,717	14,666
Allowance for loan losses		(808)	(213)	Borrowings and onlendings	11	377,120	149,910
Other receivables		230,505	153,795	Foreign borrowings		274,714	120,085
Foreign exchange portfolio	6	220,870	144,737	Domestic onlendings - BNDES/FINAME		50,660	3,930
Income receivable		41	10	Foreign onlendings		51,746	25,895
Other	7	10,323	9,338	Derivatives	4.b	5,916	2,035
Allowance for losses on other receivables		(729)	(290)	Derivatives		5,916	2,035
Other assets		372	240	Other payables		29,693	71,654
Prepaid expenses		336	193	Collected taxes and other		253	10
Storeroom supplies		36	47	Foreign exchange portfolio	6	22,698	64,549
				Taxes and social security	12.a	4,897	5,335
				Subordinated debt	12.c	181	366
				Other	12.b	1,664	1,394
LONG-TERM ASSETS							
Interbank investments	3	278,752	271,194	LONG-TERM LIABILITIES			
Interbank deposits		21,326	10,360	Deposits	9	118,229	142,405
Securities and derivatives	4.a	246,203	256,119	Time deposits		41,883	53,205
Own portfolio		149,627	207,127	Domestic onlendings	11	41,883	53,205
Subject to repurchase commitments		35,782	-	Other payables		316	4,227
Linked to guarantees		60,794	48,992	Domestic onlendings - BNDES/FINAME		316	4,227
Lending operations	5	814	4,701	Taxes and social security	12.a	76,030	84,973
Private sector		817	4,701	Subordinated debt	12.c	5,404	4,092
Allowance for loan losses		(3)	-	Other	12.b	63,644	77,016
Other receivables	7	10,351	-	DEFERRED INCOME		6,982	3,865
Other		10,351	-	Deferred income		595	569
Other assets		58	14			595	569
Prepaid expenses		58	14	SHAREHOLDERS' EQUITY	14	226,475	220,093
				Capital		409,356	409,356
PERMANENT ASSETS				Brazilian residents		1	1
Investments		3,512	1,561	Foreign residents		409,355	409,355
Other	8	25	20	Capital reserve		10,351	10,351
Property and equipment in use		3,028	1,081	Adjustment to fair value - securities and derivatives		(3,180)	2,269
Other		6,252	4,093	Accumulated deficit		(190,052)	(201,883)
Accumulated depreciation		(3,224)	(3,012)				
Deferred charges		459	460	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,033,807	972,185
Organization and expansion costs		5,258	5,064				
Accumulated amortization		(4,799)	(4,604)				
TOTAL ASSETS		1,033,807	972,185				

The accompanying notes are an integral part of these financial statements.

BANCO SUMITOMO MITSUI BRASILEIRO S.A.

STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2008 AND 2007

(In thousands of Brazilian reais - R\$, except per share data)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
FINANCIAL INCOME		<u>38,190</u>	<u>43,340</u>
Lending operations	16.a	5,160	542
Securities transactions	16.b	33,030	42,798
FINANCIAL EXPENSES		<u>(59,514)</u>	<u>(43,970)</u>
Funding operations	16.c	(18,216)	(24,558)
Borrowings and onlendings	16.d	(18,733)	(3,402)
Derivative transactions	4.b	(13,155)	(12,019)
Foreign exchange transactions		(9,336)	(4,176)
Allowance for loan losses	5.e	(74)	185
GROSS PROFIT FROM FINANCIAL OPERATIONS		<u>(21,324)</u>	<u>(630)</u>
OTHER OPERATING INCOME (EXPENSES)		<u>29,955</u>	<u>12,123</u>
Income from services rendered	16.e	8,860	7,381
Income from charges to customers		23	8
Personnel expenses	16.f	(8,597)	(6,993)
Other administrative expenses	16.g	(5,040)	(3,845)
Tax expenses	16.h	(2,154)	(1,530)
Other operating income	16.i	45,286	25,218
Other operating expenses	16.j	(8,423)	(8,116)
INCOME FROM OPERATIONS		<u>8,631</u>	<u>11,493</u>
NONOPERATING INCOME		<u>16</u>	<u>198</u>
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES AND PROFIT SHARING		<u>8,647</u>	<u>11,691</u>
INCOME AND SOCIAL CONTRIBUTION TAXES		<u>(3,200)</u>	<u>(2,958)</u>
Provision for income tax	15	(2,091)	(2,176)
Provision for social contribution tax	15	(1,109)	(782)
PROFIT SHARING		<u>-</u>	<u>(85)</u>
NET INCOME		<u>5,447</u>	<u>8,648</u>
EARNINGS PER THOUSANDS SHARES - R\$		<u>13.31</u>	<u>21.13</u>

The accompanying notes are an integral part of these financial statements.

BANCO SUMITOMO MITSUI BRASILEIRO S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2008 AND 2007
(In thousands of Brazilian reais - R\$)

	<u>Capital</u>	<u>Capital Reserve</u>	<u>Adjustment to fair value - securities and derivatives</u>	<u>Accumulated deficit</u>	<u>Total</u>
BALANCES AS OF DECEMBER 31, 2006	409,356	10,351	2,336	(210,531)	211,512
Adjustment to fair value - Securities and derivatives	-	-	(67)	-	(67)
Net income	-	-	-	8,648	8,648
BALANCES AS OF JUNE 30, 2007	<u>409,356</u>	<u>10,351</u>	<u>2,269</u>	<u>(201,883)</u>	<u>220,093</u>
BALANCES AS OF DECEMBER 31, 2007	409,356	10,351	(2,026)	(195,499)	222,182
Adjustment to fair value - Securities and derivatives	-	-	(1,154)	-	(1,154)
Net income	-	-	-	5,447	5,447
BALANCES AS OF JUNE 30, 2008	<u>409,356</u>	<u>10,351</u>	<u>(3,180)</u>	<u>(190,052)</u>	<u>226,475</u>

The accompanying notes are an integral part of these financial statements.

BANCO SUMITOMO MITSUI BRASILEIRO S.A.

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2008 AND 2007

(In thousands of Brazilian reais - R\$)

	<u>2008</u>	<u>2007</u>
SOURCE OF FUNDS	290,144	202,439
Net income	5,447	8,648
Adjustment to net income	326	310
Depreciation and amortization	326	310
Change in deferred income	(74)	57
Funds from third parties	284,445	193,423
Increase in liabilities	16,731	67,997
Deposits	-	16,959
Interbank and interbranch accounts	360	-
Derivatives	5,144	204
Other payables	11,227	50,834
Decrease in assets	267,714	125,426
Interbank investments	267,714	-
Securities and derivatives	-	78,274
Lending operations	-	21,807
Interbank and interbranch accounts	-	427
Other receivables	-	24,918
Disposal of permanent assets	-	1
Property and equipment in use	-	1
USE OF FUNDS	265,166	203,250
Additions to	2,134	370
Property and equipment in use	2,129	370
Investments	5	-
Deferred charges	71	6
Increase in assets	147,177	97,943
Interbank investments	-	97,865
Securities	16,746	-
Lending operations	95,915	-
Interbank accounts	52	-
Other receivables	34,192	-
Other assets	272	78
Decrease liabilities	115,784	104,931
Deposits	101,570	-
Borrowings and onlendings	8,319	57,427
Interbank and interbranch accounts	-	12,273
Money market funding	5,895	35,231
INCREASE (DECREASE) IN CASH	24,978	(811)
Represented by:		
Cash:		
At beginning of six-month period	7,495	10,915
At end of six-month period	32,473	10,104
INCREASE (DECEREASE) IN CASH	24,978	(811)

The accompanying notes are an integral part of these financial statements.

BANCO SUMITOMO MITSUI BRASILEIRO S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007 (Amounts in thousands of Brazilian reais – R\$)

1. OPERATIONS

BANCO SUMITOMO MITSUI BRASILEIRO S.A. (the “Bank”) is a multiple service bank, with commercial portfolios, including foreign exchange and investment portfolios, under National Monetary Council (CMN) Resolution n^o. 1524/88.

The Bank is responsible for managing investment funds with net worth of R\$ 234,646 as of June 30, 2008 (R\$ 226,053 in 2007).

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

The financial statements have been prepared and presented in accordance with Brazilian accounting practices prior to the enactment of Law n^o. 11638/07 and standards promulgated by the Central Bank of Brazil as set forth in the Standard Chart of Accounts for Financial Institutions (COSIF).

a) Results of operations

Income and expenses are recognized on the accrual basis, on a daily pro rata basis for financial income and expenses.

Financial income and expenses are calculated under the exponential method, except those related to discounted notes or foreign transactions, which are calculated under the straight-line method.

Fixed-rate transactions are stated at redemption value and income and expenses for the future period are stated as a reduction of released assets and liabilities. Floating-rate or foreign currency-denominated transactions are monetarily adjusted through the balance sheet date.

b) Interbank investments

Stated as cost, plus income earned through the balance sheet date.

c) Securities and Derivatives

Under Central Bank of Brazil Circular n^o. 3068, of November 8, 2001, securities are classified, according to Management’s intent, into the following categories:

- Trading securities – securities acquired for the purpose of being actively and frequently traded, adjusted to fair value, with gains and losses included in income for the period.
- Available-for-sale securities – securities not classified as trading securities or held-to-maturity securities, adjusted to fair value, with gains and losses reported in a separate component of shareholders’ equity, net of taxes.
- Held-to-maturity securities – securities that the Bank has the intent and ability to hold until maturity, stated at cost, plus income earned, included in income for the period.

Derivatives, composed solely of swap transactions, have their differential receivable or payable recorded in assets or liabilities, respectively, and are allocated to income or expense on a pro rata basis through the balance sheet date.

Under Central Bank of Brazil Circular nº. 3082, of January 30, 2002, and Circular nº. 3026, of July 5, 2002, derivatives are reported at fair values, with gains or losses included in the statement of income for the period as follows:

- Derivatives not designated as hedge – as income or expenses in the statement of income.
- Derivatives designated as hedge of:
 - Market risk are intended to hedge against fluctuations in the market price of the hedge item, and gains and losses are reported as income and expenses in the statement of income for the period.
 - Cash flow are intended to hedge against fluctuations in the estimated future cash flow, and gains and losses are included in a separate component of shareholders' equity.

Derivatives used as hedge and respective hedged items are adjusted to fair value at the balance sheet date.

d) Lending operations and allowance for loan losses

Lending operations are classified according to Management's risk ratings, taking into consideration economic conditions, past experience and specific risks of the operation, debtors and guarantors, according to the parameters established by Central Bank of Brazil Resolution nº. 2682/99, which requires a periodic analysis of the portfolio and its classification into nine levels, from "AA" (minimum risk) to "H" (loss).

Income from lending operations overdue for more than 60 days, regardless of risk rating, is recognized as revenue only when collected.

Operations classified into level "H" (100% allowance) remain in this rating for six months, when they are written off against the existing allowance and controlled for five years in memorandum accounts, no longer appearing on the balance sheet.

Renegotiated operations are maintained at least at the same level at which they were classified. Renegotiated lending operations that had already been written off against the allowance and were controlled in memorandum accounts are classified into level "H" and any gains on renegotiation are recognized as revenue only when received.

The allowance for loan losses meets the minimum requirements established by CMN Resolution nº. 2682/99.

e) Other current and long-term assets

Stated at cost, plus income and monetary variation earned, less allowance for losses or adjustments to realizable value, when applicable.

f) Property and equipment

Stated at acquisition cost, less accumulated depreciation calculated through the balance sheet date, plus monetary adjustment through December 31, 1995. Depreciation is calculated under the straight-line method based on the economic useful lives of the assets. The main annual depreciation rates are 20% for the vehicles and IT equipment, and 10% for other assets.

g) Deferred charges

Stated at cost, less accumulated amortization calculated through the balance sheet date. Deferred charges are represented principally by leasehold improvements, amortized over

the term of lease contract, and software acquisition and development costs, amortized over a period of five years.

h) Monetary adjustment of assets and liabilities

Assets and liabilities subject to exchange variation or indices, as per legal or contractual requirement, are monetarily adjusted through the balance sheet date. Such adjustments are reflected in the statement of income for the period.

i) Deposits and money market funding

Stated at the original values, plus charges incurred through the balance sheet date, recognized on a daily pro rata basis.

j) Contingencies

The recognition, measurement and disclosure of contingent assets and liabilities and legal obligations – taxes and social security are made in accordance with the criteria set forth in CMN Resolution nº. 3535/08, which has approved NPC 22 of the Brazilian Institute of Independent Auditors (IBRACON), as described below:

- Contingent assets – are not recorded in the financial statements, unless there is evidence that they will be realized and are not subject to appeals.
- Contingent liabilities – are recorded in the financial statements when the risk of loss on a judicial or administrative proceeding is assessed by legal counsel and Management as probable and when the amounts can be measured reliably. Reserves for labor lawsuits are recorded based on first hearing of a cause.
- Legal obligations – taxes and social security – refer to lawsuits challenging the legality and constitutionality of certain taxes. The amounts in dispute are fully recorded in the financial statements and adjusted according to current tax legislation.
- Contingent liabilities assessed as possible losses by the legal counsel are disclosed in the notes to the financial statements, whereas those assessed as remote losses are neither accrued nor disclosed.
- Escrow deposits are recorded in assets, without deducting reserves for contingencies, in accordance with the rules of the Central Bank of Brazil.

k) Income and social contribution taxes

The provision for income tax is calculated at the rate of 15% plus a 10% surtax on taxable income exceeding R\$ 120, adjusted for additions and deductions established by law. Social contribution tax is calculated at the rate of 9% until April 30, 2008, and 15% beginning May 2008, in conformity with Law nº. 11727/08.

Tax benefits arising from the utilization of tax loss carry forwards and other temporary differences are recognized only when actually utilized due to the losses reported in the last years, as explained in note 15.

3. INTERBANK INVESTMENTS

Interbank investments as of June 30, 2008 and 2007, are composed of the following:

	2008			Total
	Up to 3 months	From 3 to 12 months	Over 12 months	
Money market investments	<u>5,830</u>	-	-	<u>5,830</u>
Own portfolio	<u>5,830</u>	-	-	<u>5,830</u>
LTN (National Treasury bills)	5,830	-	-	5,830
Interbank deposits	<u>18,617</u>	<u>92,296</u>	<u>21,326</u>	<u>132,239</u>
Third parties	18,617	92,296	21,326	132,239
Total	<u>24,447</u>	<u>92,296</u>	<u>21,326</u>	<u>138,069</u>
	2007			
	Up to 3 months	From 3 to 12 months	Over 12 months	Total
Money market investments	<u>323,047</u>	-	-	<u>323,047</u>
Own portfolio	<u>252,329</u>	-	-	<u>252,329</u>
LTN (National Treasury bills)	252,329	-	-	252,329
Third-party portfolio	<u>70,718</u>	-	-	<u>70,718</u>
LTN (National Treasury bills)	70,718	-	-	70,718
Interbank deposits	<u>3,008</u>	<u>38,975</u>	<u>10,360</u>	<u>41,983</u>
Third parties	3,008	38,975	10,360	41,983
Total	<u>326,055</u>	<u>38,975</u>	<u>10,360</u>	<u>365,030</u>

4. SECURITIES AND DERIVATIVES

a) Securities

It is not the Bank's strategy to acquire securities for the purpose of actively and frequently trading them. Thus, the securities portfolio as of June 30, 2008 and 2007 was classified into the available-for-sale category, as shown below:

	2008			Fair value adjustment	Curve value	2007 Carrying value
	Fair value (carrying value)					
Available-for-sale securities	From 181 to 360 days	Over 360 days	Total			
Own portfolio:						
LTN (National Treasury bills)	93,617	103,777	197,394	4,232	201,626	184,637
LFT (Treasury bills)	-	45,850	45,850	(15)	45,835	114,006
	<u>93,617</u>	<u>149,627</u>	<u>243,244</u>	<u>4,217</u>	<u>247,461</u>	<u>298,643</u>
Subject to repurchase commitments -						
LTN	-	35,782	35,782	1,083	36,865	-
	-	<u>35,782</u>	<u>35,782</u>	<u>1,083</u>	<u>36,865</u>	-
Linked to guarantees:						
LFT	-	60,794	60,794	(19)	60,775	48,992
	-	60,794	60,794	(19)	60,775	48,992
Total	<u>93,617</u>	<u>246,203</u>	<u>339,820</u>	<u>5,281</u>	<u>345,101</u>	<u>347,635</u>

The fair value represents the future cash flow discounted to present value at the rates provided by the National Association of Financial Market Institutions (ANDIMA) and/or the Commodities & Futures Exchange (BM&F) or market agents, when necessary.

b) Derivatives

Following are the amounts related to swap contracts negotiated with customers, recorded in asset, liability and memorandum accounts as of June 30, 2008 and 2007, segregated by index, maturity, notional value and carrying values.

Index	Trading	2008			
		Notional value	Fair value (carrying value)		
			Over 90 days	Total	Curve value
Asset position - Dollar	BM&F	91,880	88,095	88,095	89,046
Liability position - CD1 (interbank deposit rate) Differential payable	BM&F	91,880	<u>94,011</u> <u>(5,916)</u>	<u>94,011</u> <u>(5,916)</u>	<u>94,011</u> <u>(4,965)</u>

Index	Trading	2007			
		Notional Value	Fair value (carrying value)		
			Over 90 days	Total	Curve Value
Asset position - Dollar	BM&F	77,580	76,101	76,101	77,171
Liability position - CD1 (interbank deposit rate) Differential payable	BM&F	77,580	<u>78,136</u> <u>(2,035)</u>	<u>78,136</u> <u>(2,035)</u>	<u>78,147</u> <u>(976)</u>

Income (expenses) from derivative transactions for the six-month periods ended June 30, 2008 and 2007 are as follows:

Derivatives	Statement of income					
	2008			2007		
	Income	Expense	Net	Income	Expense	Net
"Swap"	-	(13,155)	(13,155)	471	(12,490)	(12,019)

c) Value and type of margin given as guarantee

The amount of margin deposited as guarantee for derivative transactions on the BM&F as of June 30, 2008 and 2007 is as follows:

	Fair value (carrying)	
	2008	2007
Available-for-sale securities		
LFT (Treasury bills)	<u>22,630</u>	<u>14,136</u>

Other deposited amounts, which included guarantees, are as follows as of June 30, 2008 and 2007:

	Fair value (carrying)	
	2008	2007
Available-for-sale securities		
LFT (Treasury bills)	<u>38,164</u>	<u>34,856</u>

5. LENDING OPERATIONS

As of June 30, 2008 and 2007, information on the lending portfolio is summarized as follows:

a) By operation

	<u>2008</u>	<u>2007</u>
Secured account	28,911	10,098
Resolution No, 2,770/00 (formerly Resolution No, 63)	27,207	25,997
On lending operations	51,005	8,159
Buyer financing	16,149	6,405
Working capital	16,131	3,324
NCE (export credit notes)	72,861	-
Vendor financing	1,719	2,314
Individual	33	30
Foreign currency financing	<u>64,816</u>	<u>37,211</u>
Total lending operations	278,832	93,538
Advances on foreign exchange contracts (see note 6)	216,942	106,531
Income receivable on advance (see note 6)	<u>2,891</u>	<u>1,566</u>
Total lending portfolio	<u>498,665</u>	<u>201,635</u>

b) By maturity

	<u>2008</u>	<u>2007</u>
Current:		
Up to 30 days	111,742	30,754
From 31 to 60 days	49,292	38,326
From 61 to 90 days	99,179	28,340
From 91 to 180 days	150,440	48,060
From 181 to 360 days	87,195	51,454
Over 360 days	<u>817</u>	<u>4,701</u>
	<u>498,665</u>	<u>201,635</u>

Lending operations of the 20 largest debtors as of June 30, 2008 represent 91.71% of the lending portfolio (98.75% in 2007), in the amount of R\$ 457,333 (R\$ 199,107 in 2007).

c) By rating

Rating	Reserve %	2008			2007		
		Lending portfolio	Reserve	% of Portfolio	Lending Portfolio	Reserve	% of Portfolio
AA	-	388,072	876	77,82%	199,791	418	99,09%
A	0,5	109,335	603	21,93%	30	1	0,01%
C	3,0	<u>1,258</u>	<u>61</u>	<u>0,25%</u>	<u>1,814</u>	84	<u>0,90%</u>
Total		<u>498,665</u>	<u>1,540</u>	<u>100,00%</u>	<u>201,635</u>	<u>503</u>	<u>100,00%</u>

d) By business sector

	<u>2008</u>	<u>2007</u>
Private sector:		
Industry	395,738	173,354
Commerce	60,017	28,251
Other services	42,877	-
Individuals	<u>33</u>	<u>30</u>
	<u>498,665</u>	<u>201,635</u>

e) Changes in the allowance for loan losses

	<u>2008</u>	<u>2007</u>
Beginning balance	1,466	688
Increase in allowance	8,732	-
Reversal	<u>(8,658)</u>	<u>(185)</u>
Ending balance	<u>1,540</u>	<u>503</u>

In the six-month period ended June 30, 2008, there was neither recovery of receivables previously written off as loss nor renegotiated operations.

6. FOREIGN EXCHANGE PORTFOLIO (OTHER RECEIVABLES AND OTHER PAYABLES)

Foreign exchange transactions are recorded in balance sheet accounts as follows:

	<u>2008</u>	<u>2007</u>
Assets:		
Exchange purchased pending settlement	208,459	126,012
Rights to foreign exchange sold	15,034	38,804
Advances received in local currency	(5,514)	(21,645)
Income receivable from advances (see note 5)	<u>2,891</u>	<u>1,566</u>
	<u>220,870</u>	<u>144,737</u>
Liability:		
Exchange sold pending settlement	14,963	38,514
Foreign exchange purchased	224,587	132,518
Advances on foreign exchange contracts (see note 5)	(216,942)	(106,531)
Foreign currency payables	<u>90</u>	<u>48</u>
	<u>22,698</u>	<u>64,549</u>

7. OTHER RECEIVABLES – OTHER

Represented by the following amounts:

	<u>2008</u>	<u>2007</u>
Escrow deposits	7,732	2,175
Prepaid taxes	3,084	4,079
State income surtax available for offset	711	1,251
PIS (tax on revenue) available for offset	840	840
Tax credits on adjustment to fair value – securities (see note 15, 5)	2,468	348
Receivables from business intermediation	5,453	-
Other	<u>386</u>	<u>645</u>
Total	20,674	9,338
Current asset	<u>(10,323)</u>	<u>(9,338)</u>
Long-term asset	<u>10,351</u>	<u>-</u>

8. PROPERTY AND EQUIPMENT

As of June 30, 2008 and 2007, property and equipment are as follows:

	Annual depreciation rate - %	2008			2007
		Cost	Accumulated depreciation	Net	Net
IT system	20	4,072	(1,968)	2,104	461
Furniture and equipment in use	10	812	(544)	268	170
Communication system	10	268	(201)	67	37
Security system	10	262	(209)	53	79
Transportation system	20	<u>838</u>	<u>(302)</u>	<u>536</u>	<u>334</u>
		<u>6,252</u>	<u>(3,224)</u>	<u>3,028</u>	<u>1,081</u>

9. DEPOSITS

Breakdown by maturity as of June 30, 2008 and 2007:

	2008				2007			
	Demand deposits	Time deposits	Foreign currency deposits	Other deposits	Demand deposits	Time deposits	Foreign currency deposits	Other deposits
Without maturity	16,767	-	117	1	17,213	-	8	345
Up to 30 days	-	14,271	-	-	-	24,109	-	-
From 31 to 60 days	-	10,459	-	-	-	3,305	-	-
From 61 to 90 days	-	3,204	-	-	-	9,058	-	-
From 91 to 180 days	-	43,509	-	-	-	46,844	-	-
From 181 to 360 days	-	134,614	-	-	-	199,154	-	-
Over 360 days	-	<u>41,883</u>	-	-	-	<u>53,205</u>	-	-
	<u>16,767</u>	<u>247,940</u>	<u>117</u>	<u>1</u>	<u>17,213</u>	<u>335,675</u>	<u>8</u>	<u>345</u>

10. MONEY MARKET FUNDING

<u>Securities</u>	<u>2008</u>		<u>2007</u>	
	<u>Own portfolio</u>	<u>Total</u>	<u>Third parties</u>	<u>Total</u>
LTN (National Treasury bills)	35,666	35,666	70,718	70,718

11. BORROWINGS AND ONLENDINGS

Foreign funding is basically through the use of credit lines granted by the shareholder Sumitomo Mitsui Banking Corporation, as follows:

a) Foreign borrowings

The balance as of June 30, 2008 is basically composed of export and import financing maturing through April 30, 2009, subject to usual interest rates plus exchange variation for these transactions.

b) Foreign onlendings

Foreign onlendings as of June 30, 2008 correspond to US\$ 16,750 and Yen 1,600,000. Such obligations, converted at the official buying rate at the end of the six-month period, are ruled by Central Bank of Brazil Resolution n°. 2770/00 (formerly Resolution n°. 63) and are subject to usual interest rates for these transactions plus exchange variation, with repayment periods between 1 and 12 months.

c) Domestic onlendings – FINAME (National Equipment Financing Authority)

Domestic onlendings are composed of Banco Nacional de Desenvolvimento Econômico Social – BNDES financing as Finame and Exim in the amount of R\$ 50,976.

12. OTHER PAYABLES

a) Taxes and social securities

	<u>2008</u>	<u>2007</u>
Provision for income and social contribution taxes (see note 15)	3,200	2,958
Reserve for taxes contingencies (see note 13)	5,404	4,092
ISS (service tax)	408	70
IRRF (withholding income tax) on fixed-income transactions	300	360
COFINS (tax on revenue)	462	184
PIS (tax on revenue)	75	30
Deferred income and social contribution taxes	-	1,150
FGTS (severance pay fund)	54	52
Taxes and contributions – outside services	8	5
Other	<u>390</u>	<u>526</u>
Total	10,301	9,427
Current liability	<u>(4,897)</u>	<u>(5,335)</u>
Long-term liability	<u>5,404</u>	<u>4,092</u>

b) Other

	<u>2008</u>		<u>2007</u>	
	<u>Current</u>	<u>Long-term</u>	<u>Current</u>	<u>Long-term</u>
Reserve for contingencies (see note 13)	-	6,982	-	3,865
Provision for personnel expenses	1,434	-	1,180	-
Provision for general expenses	216	-	203	-
Other	<u>14</u>	<u>-</u>	<u>11</u>	<u>-</u>
	<u>1,664</u>	<u>6,982</u>	<u>1,394</u>	<u>3,865</u>

c) Subordinated debt

The Bank obtained a loan in the amount of US\$ 40 million from the controlling shareholder Sumitomo Mitsui Banking Corporation for a period of 15 years, which was authorized by the Central Bank of Brazil on November 10, 2006, to be considered as subordinated debt, as a part of the Bank's Tier II Capital, pursuant to CMN Resolution n°. 2837/01.

13. CONTINGENCIES

a) Contingent Liabilities

The Bank is a party to tax, civil and labor lawsuits.

The reserve amounts and the respective escrow deposits are as follows:

	<u>Reserve</u>		<u>Escrow deposits</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Tax contingencies:				
ISS (service tax)	-	1,150	1,781	-
PIS (tax on revenue)	-	<u>840</u>	-	-
	-	<u>1,990</u>	<u>1,781</u>	-
Legal obligations:				
CSLL (social contribution tax)	4,773	1,474	4,773	1,275
CVM (Brazilian Securities Commission) fee	<u>631</u>	<u>628</u>	<u>289</u>	<u>286</u>
	<u>5,404</u>	<u>2,102</u>	<u>5,062</u>	<u>1,561</u>
Other contingent liabilities:				
Civil	2,565	906	-	-
Labour	<u>4,417</u>	<u>2,959</u>	<u>820</u>	<u>545</u>
	<u>6,982</u>	<u>3,865</u>	<u>820</u>	<u>545</u>
Total	<u>12,386</u>	<u>7,957</u>	<u>7,663</u>	<u>2,106</u>

Concerning tax lawsuits, basically referring to CSLL, the Bank challenges the increase in rates from 18% to 30% and the determination of the social contribution tax basis. A reserve was recognized for the underpaid amount since the matters are under dispute.

In the lawsuit involving the Brazilian Securities Commission (CVM), in which the Bank has challenged the collection of the inspection fee of the capital markets for certain periods, we have only monetarily adjusted the reserve.

For civil lawsuits, basically related to elimination of inflation effects on time deposits on which a cash outflow is expected. Management, based on its legal counsel's opinion, understands that the applicable legal measures that have already been taken in each situation are sufficient to preserve the Bank's assets.

Regarding labor lawsuits, refer to former employees challenging labor rights they understand are due. The lawsuits are individually controlled and reserves are recorded based on first hearing of a cause. Management, based on the legal counsel's opinion, understands that the amounts currently accrued are sufficient to preserve the Bank's assets.

The Bank is a party to tax lawsuits related to ISS basically referring to commission received on lending and foreign exchange operations, which total exposition amounts to R\$ 1,404 and PIS basically referring to profit sharing program, which total exposition amounts to R\$ 20. Management understands, based on the legal counsel's opinion, that the likelihood of a favorable outcome is possible and, therefore, no reserve has been recorded.

b) Changes in contingent liabilities and legal obligations

	2008			
	Tax	Labour	Civil	Total
Balance as of June 31, 2007	5,138	3,348	1,923	10,409
Recording of reserve	-	1,010	642	1,652
Contingency monetary adjustment expenses	266	90	-	356
Write-offs due to payment	-	(31)	-	(31)
Balance as of June 30, 2008	<u>5,404</u>	<u>4,417</u>	<u>2,565</u>	<u>12,386</u>

14. SHAREHOLDERS' EQUITY

a) Capital

As of June 30, 2008, capital is represented by common shares, with par value of R\$1.00 each, held as follows:

	Number of shares (thousand)
Sumitomo Mitsui Banking Corporation (Japan) Shareholders domiciled in the country	409,355 <u>1</u> <u>409,356</u>

b) Dividends

Shareholders are entitled to a minimum dividend of 25% of the net income for the year, adjusted according to corporate law and bylaws.

15. INCOME AND SOCIAL CONTRIBUTION TAXES

a) In 2008, the income and social contribution tax basis was calculated as follows:

	2008		2007	
	Income tax	Social contribution tax	Income tax	Social contribution tax
Income before taxes on income	8,647	8,647	11,606	11,606
Reversal of operating provisions	(119)	(119)	(326)	(326)
Utilization of prior years' tax loss carry forwards	(3,606)	(3,606)	(3,751)	(3,725)
Temporary provisions	2,209	2,209	997	997
Adjustment to fair value of derivatives	1,118	1,118	220	220
Non-deductible expenses	164	164	196	110
Dividends received	-	-	(190)	(190)
Taxable income	<u>8,413</u>	<u>8,413</u>	<u>8,752</u>	<u>8,692</u>
Income tax – 15% (see note 2,k)	1,262	-	1,313	-
Income surtax – 10% (see note 2,k)	829	-	863	-
Social contribution tax – 9% (see note 2,k)	-	230	-	782
Social contribution tax – 15% (see note 2,k)	-	879	-	-
	<u>2,091</u>	<u>1,109</u>	<u>2,176</u>	<u>782</u>

b) Deferred taxes

Deferred income and social contribution tax assets as of June 30, 2008, in the amount of R\$ 2,468, are solely related to the adjustment to fair value of securities classified as available-for-sale and derivatives, whose present value is R\$ 2,227. This amount is recorded under the caption "Other receivables - other".

In view of the losses incurred in the last years, the Bank has not recognized tax credit on tax loss carry forwards and temporary differences; this credit is not recognized only when it is actually utilized. As of June 30, 2008, unrecorded tax credit amounts to R\$ 84,675 (R\$ 83,903 in 2007).

16. STATEMENTS OF INCOME

a) Lending operations

	<u>2008</u>	<u>2007</u>
Income from lending operations	3,737	272
Income from financing and on lending	<u>1,423</u>	<u>270</u>
	<u>5,160</u>	<u>542</u>

b) Securities transactions

	<u>2008</u>	<u>2007</u>
Income from interbank investments	15,049	19,156
Income from securities transactions	<u>17,981</u>	<u>23,642</u>
	<u>33,030</u>	<u>42,798</u>

c) Funding operations

	<u>2008</u>	<u>2007</u>
Time deposits expenses	(16,233)	(19,673)
Repurchase commitment expenses	(1,738)	(4,617)
Expenses on contributions to the credit guarantee fund	<u>(245)</u>	<u>(268)</u>
	<u>(18,216)</u>	<u>(24,558)</u>

d) Borrowings and onlendings

	<u>2008</u>	<u>2007</u>
BNDES expenses	(1,296)	(213)
Expenses on foreign borrowings and on lending	<u>(17,437)</u>	<u>(3,189)</u>
	<u>(18,733)</u>	<u>(3,402)</u>

e) Income from services rendered

	<u>2008</u>	<u>2007</u>
Income from fees and services	20	161
Income from structured operations	8,104	6,693
Income from guarantees provided	730	522
Other	<u>6</u>	<u>5</u>
	<u>8,860</u>	<u>7,381</u>

f) Personnel expenses

	<u>2008</u>	<u>2007</u>
Salaries	(4,929)	(4,074)
Payroll charges	(1,803)	(1,414)
Benefits	(1,011)	(778)
Fees	(788)	(652)
Training	(15)	(11)
Interns	<u>(51)</u>	<u>(64)</u>
	<u>(8,597)</u>	<u>(6,993)</u>

g) Other administrative expenses

	<u>2008</u>	<u>2007</u>
Rent	(1,124)	(994)
Data processing	(1,107)	(915)
Specialized technical services	(858)	(120)
Communication	(504)	(485)
Financial system services	(111)	(103)
Maintenance and repairs	(133)	(88)
Security and surveillance services	(111)	(99)
Transportation	(64)	(70)
Material	(42)	(34)
Water, electricity and gas	(36)	(47)
Outside services	(40)	(60)
Advertising and publicity	(91)	(66)
Insurance	(37)	(28)
Promotion and public relations	(16)	(11)
Charitable contributions	(14)	(5)
Amortization and depreciation	(326)	(310)
Other	<u>(426)</u>	<u>(410)</u>
	<u>(5,040)</u>	<u>(3,845)</u>
 h) Tax expenses		
	<u>2008</u>	<u>2007</u>
COFINS	(1,416)	(885)
ISS	(473)	(409)
PIS	(230)	(144)
Other	<u>(35)</u>	<u>(92)</u>
	<u>(2,154)</u>	<u>(1,530)</u>
 i) Other operating income		
	<u>2008</u>	<u>2007</u>
Exchange variation – foreign borrowings	40,015	12,970
Exchange variation – foreign on lending	4,353	2,994
Exchange variation – subordinated debt	-	8,472
Exchange variation – foreign currency deposits	302	114
Investment fund management fees	397	458
Recovery of charges and expenses	152	210
Other	<u>67</u>	<u>-</u>
	<u>45,286</u>	<u>25,218</u>
 j) Other operating expenses		
	<u>2008</u>	<u>2007</u>
Exchange variation – financing	(7,636)	(3,644)
Exchange variation – foreign currency deposits abroad	(3,625)	(1,729)
Interest from subordinated debt	(2,043)	(2,707)
Exchange variation – subordinated debt	7,176	-
Exchange variation – foreign currency investment abroad	(1,555)	-
Operating provisions	(651)	-
Other	<u>(89)</u>	<u>(36)</u>
	<u>(8,423)</u>	<u>(8,116)</u>

17. RELATED-PARTY TRANSACTIONS

The balances of transactions with related parties and subsidiaries are conducted substantially under usual market conditions, concerning agreed-upon maturities and yield, and are as follows:

	Assets (liabilities)		Income expenses	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash – Foreign currency deposits	29,203	9,515	302	114
Receivables from business intermediation	5,453	-	5,453	-
Foreign borrowings	(274,714)	(120,085)	(3,597)	(2,299)
Foreign on lending	(51,746)	(25,895)	(982)	890
Subordinated debt	(63,825)	(77,382)	(5,133)	10,377

18. GUARANTEES PROVIDED AND RESPONSIBILITIES FOR IMPORT CREDITS

As of June 30, 2008 and 2007, guarantees provided by the Bank amount to:

	<u>2008</u>	<u>2007</u>
In Brazil	262,507	167,740
Abroad	<u>7,446</u>	<u>3,051</u>
	<u>269,953</u>	<u>170,791</u>

The outstanding balance related to the responsibility for import credits as of June 30, 2008 is R\$ 1,654.

19. POST-EMPLOYMENT BENEFITS

The bank sponsors Banco Sumitomo Mitsui Brasileiro Sociedade de Previdência Privada, established on April 20, 1992, whose primary purpose is to provide supplemental benefits and/or income to the Bank's employees and directors by means of a defined benefit plan in which participants (employees) are entitled to a benefit upon termination of the employment relationship, calculated according to the regulation provisions. The amount of benefit will depend on the participant's salary and length of services upon termination.

As of June 30, 2008, the entity had 88 (78 in 2007) active participants in the defined benefit plan and 17 (17 in 2007) participants enjoying the benefits (retirement and pension). In the six-month period ended June 30, 2008 the Bank made contributions to the aforementioned pension plan entity in the amount of R\$ 459.

20. AMENDMENT TO BRAZILIAN CORPORATE LAW

On December 28, 2007, Law nº. 11638 was enacted, altering, revoking and adding new provisions to the Brazilian Corporate Law, especially with respect to chapter XV, Fiscal Year and Financial Statements. This Law is effective for fiscal years beginning on or after January 1, 2008 and was designed primarily to update the Brazilian Corporate Law, so as to enable the convergence of Brazilian accounting practices with international accounting standards (IFRS) and allow regulatory agencies to issue new accounting standards and procedures, in conformity with such international accounting standards.

The changes in the Brazilian Corporate Law are applicable to all companies incorporated as corporations, including financial institutions, and introduce a new requirement for large companies to prepare and report financial statements in accordance with provisions of the Brazilian Corporate Law. Such large companies, as defined, are entities or group of entities under common control, that have more than R\$ 240 million of assets or more than R\$ 300 million of gross revenues, both measured as of and for the prior fiscal year. Furthermore, private companies may choose to prepare such financial statements in accordance with standards issued by the CVM for public companies.

The changes introduced by Law nº. 11638/07, in conformity with international accounting standards, shall be applied in fiscal 2008; however, certain of these changes require supplemental rule of the regulatory agencies.

The main changes applicable to the Bank can be summarized as follows:

- Replacement of the statement of changes in financial position by the statement of cash flows.
- A new requirement for the presentation of a statement of value added, applicable to public companies, that presents the additional value created by the Bank, as well as the composition of the sources of such value and the amount of undistributed value.

- Possibility of maintaining separate accounting records for purposes of complying with tax legislation and reflecting necessary adjustments in order to prepare the financial statements in conformity with Brazilian Corporate Law.
- Creation of a new account group, intangible assets, which includes goodwill, for purposes of balance sheet presentation. This account will encompass rights in intangible assets maintained or used in the operation of the Bank's business, including the acquired goodwill.
- Requirement that certain long-term assets and liabilities be recorded at present value, and, if material, for certain other short-term assets and liabilities.

Pursuant to Release nº. 16669 issued by the Central Bank of Brazil on March 20, 2008, the interim financial statements are not required to reflect the new criteria established for the preparation of the financial statements for the year ending December 31, 2008. Management assessed the effects on the financial statements of the application of the new Law and concluded that it will not result in material impacts on the Bank's shareholders' equity and results of operations, however, they are awaiting further regulation currently being prepared by the governmental agencies before they are able to reliably determine the effects of the full adoption of the new law.

21. OTHER INFORMATION

As part of the process of convergence with International Accounting Standards, on May 29, 2008 the National Monetary Council (CMN), through Resolution nº. 3566, determined the adoption of Technical Pronouncement nº. 01 of the Accounting Pronouncement Committee (CPC) for the recognition, measurement and disclosure of asset write-downs to recoverable value, effective July 1, 2008.

The main change established by this standard is to define procedures to ensure that the assets are recorded at amounts that can be recovered through use or sale. Therefore, the institutions must assess its assets at least every semiannual balance sheet close or earlier if there is any indication that the asset may be impaired. Management believes that the adoption of this standard will have no material impacts on the results of operations, shareholders' equity or assets subject to valuation.

7 Ombudsmanship

Ombudsmanship is the link between BANCO SUMITOMO MITSUI BRASILEIRO S.A. and its customers. The Ombudsmanship is in charge of representing the customers, their points of view and interests within the Institution.

Its job is to assure the strict accomplishment of legal and regulation dispositions related to the rights of its customers and acts as a communication channel, including the mediation of conflicts.

The Ombudsmanship is in charge of receiving, registering, instructing, analyzing and giving formal and adequate treatment to the complaints of the Bank's customers and users of products and services.

It should also propose to the Board of Directors corrective or enhancement measures of procedures and routines as a result of the received complaints analysis, aiming to improve the services quality and strengthening the relationship between the Bank and the customer.

The customer must access the Ombudsmanship of the Institution whenever the attendance provided by the other channels was not satisfactory or whenever a solution have not been presented in the stipulated deadline. Therefore, the Ombudsmanship could, in certain cases, requests evidence of the previous attempts in the first attendance channels.

Access channels to Ombudsmanship:

By Phone:
0800 – 722 - 2762

By e-mail:
ouvidoria@smbcgroup.com.br

By letter:
Banco Sumitomo Mitsui Brasileiro S/A
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Bela Vista – São Paulo – SP
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Toshiro Kubota
President

Yuji Kurihara
Deputy President

Roberto Isamu Ono
Director

Taku Matsumoto
Director

Roberto Hitoshi Mizuno
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