

# ANNUAL REPORT 2010

December, 2010

<b>CONTENT</b>	<b>PAGE</b>
<b>I. MESSAGE FROM PRESIDENT .....</b>	<b>3</b>
<b>II. THE SYMBOL .....</b>	<b>4</b>
<b>III. SUMITOMO MITSUI FINANCIAL GROUP ("SMFG").....</b>	<b>5</b>
<b>IV. SUMITOMO MITSUI BANKING CORPORATION ("SMBC").....</b>	<b>6</b>
<b>V. BANCO SUMITOMO MITSUI BRASILEIRO S/A ("BSMB") .....</b>	<b>7</b>
<b>VI. BUSINESS STRATEGY .....</b>	<b>8</b>
<b>VII. HUMAN RESOURCES.....</b>	<b>10</b>
<b>VIII. CORPORATE COMMITTEES .....</b>	<b>11</b>
<b>IX. RISK MANAGEMENT .....</b>	<b>12</b>
<b>X. LOAN CONTROL AND LOAN LOSSES HISTORY.....</b>	<b>14</b>
<b>XI. PERFORMANCE.....</b>	<b>15</b>
<b>XII. FINANCIAL STATEMENTS.....</b>	<b>16</b>
<b>XIII. BALANCE SHEETS .....</b>	<b>17</b>
<b>XIV. STATEMENTS OF INCOME .....</b>	<b>20</b>
<b>XV. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY .....</b>	<b>21</b>
<b>XVI. STATEMENT OF CASH FLOWS .....</b>	<b>22</b>
<b>XVII. NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>24</b>
<b>XVIII. CUSTOMER SERVICE CHANNELS.....</b>	<b>48</b>

**I. MESSAGE FROM PRESIDENT**

Sumitomo Mitsui Banking Corporation ("SMBC") has a basic policy to materialize a "globally competitive financial services group with the highest trust of our clients and other stakeholders" by fully making use of our competitive edges of "spirit of innovation," "speed" and "solution and execution."

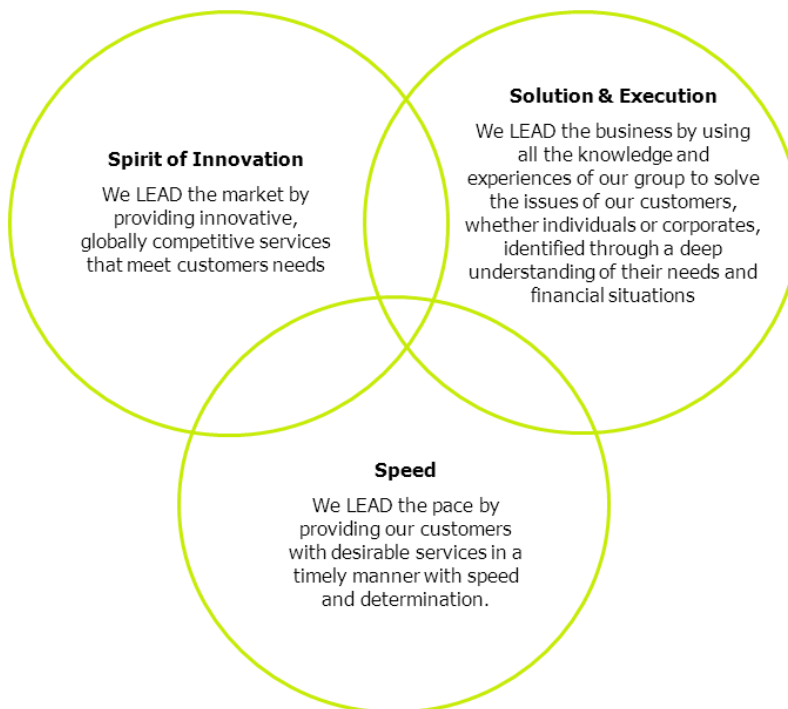
As one of the most important overseas arms of SMBC, Banco Sumitomo Mitsui Brasileiro ("BSMB") shares the common policy with SMBC. We continue to do our utmost to contribute to growth and development of our customers and societies, by applying our business know-hows which we acquired through our history of 53 years in Brazil.

Globalization makes economic activities extremely complex, therefore, we, as a global financial group, believe that our products and services could deliver proper and suitable solution to our customers. It is our commitment to pursue our efforts sincerely and faithfully.



**Teruhisa Konishi**

*President*  
Banco Sumitomo Mitsui Brasileiro S/A



## **II. 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.



### **III. SUMITOMO MITSUI FINANCIAL GROUP (“SMFG”)**

Sumitomo Mitsui Financial Group, Inc., was established in December 2002 through a stock transfer as a bank holding company. The companies of SMFG offer a diverse range of financial services, centered on banking operations, and including credit card services, leasing, information services, and securities.

On November 1, 2010, SMFG listed its American Depositary Receipts (ADR) on the New York Stock Exchange (NYSE). The main objectives of this decision were to build a foundation to accelerate the process of becoming a global player and to develop further the business through the improved transparency of the financial condition and the maximization of investor convenience by directly participating in the world’s largest equity market while diversifying our funding channels.



#### **IV. SUMITOMO MITSUI BANKING CORPORATION (“SMBC”)**

Sumitomo Mitsui Banking Corporation was established in April 2001 through the merger of two leading banks: The Sakura Bank, Limited, and The Sumitomo Bank, Limited.

The SMBC became a wholly owned subsidiary of SMFG and in March 2003, SMBC merged with the Wakashio Bank, Ltd. 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.

SMFG and SMBC have relocated their head offices, which were previously located at Hibiya and Otemachi districts, to the following location.

New address:

1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan  
(Sumitomo Mitsui Banking Corporation Head Office Building)

Note: Some departments have been relocated to Otemachi 1-chome Mitsui Building (2-3, Otemachi 1-chome, Chiyoda-ku, Tokyo).



## **V. BANCO SUMITOMO MITSUI BRASILEIRO S/A (“BSMB”)**

Banco Sumitomo Mitsui Brasileiro S/A, a subsidiary of SMBC, was duly organized under Brazilian laws, with a 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.”.

From April 1st, 2001, at the same time that the newly formed SMBC initiated its activities, the Brazilian subsidiary initiated activities with new name, Banco Sumitomo Mitsui Brasileiro S/A. Since 2005 the BSMB has been operating in the Clean Development Mechanism (CDM) market both in Brazil and Japan, by providing specialized services in the Carbon Market segment. Over the past years, BSMB has been supporting initiatives that aim to integrate sustainability and financial market, playing a key role in the adoption of best practices against global climate changes.



## **VI. BUSINESS STRATEGY**

BSMB's target market is the segment corporate for large companies and Japanese companies, in regards to extension of credit; however, in some business segments it is related to smaller sized companies, for purposes of fund raising in the third-party asset management segment.

### **1. Treasury**

BSMB 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.

### **2. The Time Deposit Market**

BSMB is active in the certificate of deposit (CDB) market.

### **3. The Interbank Market**

Besides issuing certificates of deposits, BSMB 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.

### **4. US Dollar Funding**

The total funding of BSMB's external resources is performed with SMBC New York agency. The credit lines from SMBC are used for Resolution 3.844 on-lending's, export and import finance, as well as foreign currency operations.

### **5. Asset Management Activities**

BSMB's Asset Management has been making efforts to offer well-managed administration and service of various mutual funds to investors. BSMB's funds meet investors' demand with high quality.

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

The 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.

Assets under management are kept segregated from BSMB's own resources administration and therefore not reported as balance sheet items.

As of December 31, 2010 BSMB managed investment funds with a combined portfolio of R\$ 368.529.373,76 distributed in 7 investment funds, in which 4 are open and 3 are exclusive.

**Funds under Management**  
**(as of December 31th, 2010 and December 31st, 2009)**

Fund	Net Worth (in millions of R\$)	
	2009	2010
SM Plus FI Multimercado	411.842,43	440.645,63
SM Master Plus FI Ref.DI CPLP	272.460.557,38	258.640.236,14
SM Special V FIC FI Multimercado	9.065.195,06	5.908.357,84
SM Prev FI Multimercado	20.675.036,50	22.627.455,75
SM Platinum Plus FIC FI Ref.DI CPLP	75.879.865,07	50.829.265,39
SM FIC FIM Pactual High Yield	1.995.180,82	2.378.929,51
SM TASC FI Ref.DI	0	84.442.106,73
<b>Total</b>	<b>295.542.617,13</b>	<b>368.529.373,76</b>

## **VII. HUMAN RESOURCES**

BSMB believes in the importance of its human resources as a major factor in the formation of its results and maintenance of its businesses.

Thus, BSMB has as one of its values the dissemination of modern Human Resources Policies directed to the maintenance of the needs demanded by the businesses that the Bank performs in Brazil.

### **1. Management**

The Board members meet regularly and are responsible for the strategic issues related to BSMB, except for the Deputy Director who is responsible for Asset Management. The Board members also supervise the development of BSMB activities and approve all policies related to the Bank.

The Board of Directors comprises the following members:

Teruhisa Konishi	President
Yuji Kurihara	Vice-President
Roberto Isamu Ono	Director
Hirokazu Hatanaka	Director
Roberto Hitoshi Mizuno	Director
Carlos Eduardo de Moraes Barros Junior	Director
Edson Eiji Takakura	Deputy Director

### **2. Employees**

Employees motivated, encouraged and recognized are requirements in the search for an increasingly and consistently competitiveness.

Management regularly monitors the Bank's procedures, policies and programs to ensure that employees are treated consistently with respect and consideration and that professional growth opportunity are given in a free and fair basis.

BSMB has established a continuing education program for its employees. The technical trainings aim to improving and upgrading the knowledge of the employees in order to produce highly skilled professionals. All employees are eligible for this program, as long as they are working at the Bank for more than three (3) months.

At the closing of December, 2010, BSMB counted on 88 employees.

## **VIII. CORPORATE COMMITTEES**

BSMB's management and administration are exercised by Board of Directors. Besides the Board of Directors, BSMB has committees established with the following attributions:

### **1. Asset and Liability Committee**

- Deliberation of asset and liability management policy, credit and liquidity risks management.

### **2. Credit Committee**

- Analysis of loan portfolio risks and proposed credit limits, establishing restrictions on loans to companies, companies groups and/or sectors/segments of the economy, always aiming the security of the Institution.

### **3. New Products and Services Committee**

- Analysis of risks involved in developing new products and services;
- Recommendation or rejection of new product and/or service to BSMB Board of Directors, which will determine the implementation or not.

### **4. Money Laundering Prevention Committee**

- Ensuring that policies and procedures related to Money Laundering Prevention in the Institution are being followed by all employees;
- Ensuring that face-to-face trainings are conducted annually;
- Decision on the closure of business relationship with customers involved in money laundering and terrorism financing crimes.

### **5. Operational Risk Committee**

- General overview of internal and external events related to operational risk;
- Inherent and residual risks;
- Database of operational risk events;
- Business Continuity Plan;
- Compliance with established rules.

### **6. Compliance Committee**

- Ensures the proper administration of the Institution's activities;
- Enhances the support to the administration in attendance to the institution's strategy, policies and measures adopted;
- Ensures the dissemination of internal controls, risk mitigation and compliance with local and international applicable laws.

### **7. Investment Committee**

- 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.
- Maintains the Asset Management activities according to the Brazilian Securities Commission – CVM and Central Bank regulations.

## **IX. RISK MANAGEMENT**

BSMB believes that risk management is essential to promoting stability in financial institutions and that adopting a transparency attitude when disclosing information in regards to this activity strengthens the Institution, contributing to the stability of financial system.

BSMB's Board of Directors is constantly pursuing to evaluate and improve its risk management structure, influencing in the culture and operation method of Institution.

Such practice is based upon procedures, methods and standardized techniques and aims to monitor, measure, mitigate and report about risk exposures of any nature in the various activities and processes developed, products or services offered, in order to support the continued sustainable development of its activities.

### **1. Credit Risk**

Credit Risk is the possibility of losses associated to the non-fulfilment by the borrower or counterparty to their respective obligations under the terms agreed, the devaluation of credit assets, resulting from deterioration in the borrower's risk rating, the reduction in earnings or remuneration, the advantages granted in the renegotiation and recovery costs.

Credit Risk is strongly associated with other types of risk, such as Market, Liquidity and Settlement risks, among others. These types of risks often stem from the Credit Risk and may occur simultaneously.

The Risk Management Department is an independent risk measurement unit that is subordinated to the President of BSMB and is responsible for managing credit, market and liquidity risks, which responsibility is to ensure prudent practices and techniques to reputable risk controls.

In the Bank's organizational structure, the function of Risk Management is represented by an independent department from audit and business areas, which reports directly to the President of BSMB, being essential to have an independent vision and control of risk.

### **2. 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. BSMB adopts a policy and a very conservative exposure related to market risk factors.

Market Risk Management policy is based on a 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, BSMB 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/guidelines for market and liquidity risk, verification of procedures in the treatment of new products and its risk management structure.

### **3. 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 BSMB 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.

Such structure defined is conducted by two independent and specific corporate areas: (i) Security Officer responsible by Business Continuity Plan coordination and Compliance Dept – Operational Risk Unit, responsible for consolidated management of operational risks events and internal controls management, both subordinated to BSMB's President, and among other objectives, the accomplishment of the dispositions of Resolution 3.380, aiming improve the internal controls environment and, consequently, disseminate the operational risk and internal controls culture in BSMB.

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 goals towards the security and quality to the customers, shareholders and stakeholders.

## X. LOAN CONTROL AND LOAN LOSSES HISTORY

After the previous approval performed by the local credit committee, the Credit 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 in Head Office.

After the final approval the limits are inserted into the local and global credit system for the controlling 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.

BSMB's internal credit controls are conservative, as demonstrated by its loan loss history, adopting as policy the effective risk mitigation and maximizing the quality of its portfolio.

### 1. Loan and Investment Loss History<sup>1</sup>

The policy of reserve for losses on loans and investments is the establishment of specific reserves, based on the general policy adopted by BSMB, which has a conservative profile, properly aligned with the regulations.

According to Central Bank regulation allowance for doubtful accounts (PDD) is mandatory for any unsecured loan that is overdue by more than 15 days.

The following table shows the amount of BSMB's general loan loss reserves by risk level as of December 31<sup>st</sup>, 2010.

General Reserve							
Risk rating	Provision rate - %	2010			2009		
		Total transactions	% of portfolio	Allowance Recognized	Total transactions	% of portfolio	Allowance Recognized
AA	-	97.341	38	101	263.860	67	328
A	0,5	98.856	39	802	48.328	13	300
B	1	36.965	14	830	40.815	10	744
E	30	10.145	4	3.045	-	-	0
G	70	-	-	-	40.876	10	32.851
H	100	<u>12.701</u>	<u>5</u>	<u>12.701</u>	-	-	-
<b>Total</b>		<u>256.008</u>	<u>100%</u>	<u>17.479</u>	<u>393.879</u>	<u>100%</u>	<u>34.223</u>

BSMB also performs Mark to Market (MTM) of securities and derivatives portfolio, in order to reflect the Market value based upon divulged rates. The MTM results is registered in specific Net Worth account in case of securities' portfolio, classified as available for sales, and in the income account in case of derivatives. As of December 31, 2010 the amount was R\$ 69 and R\$(152) respectively.

<sup>1</sup> In Thousand of Reais

## **XI. PERFORMANCE**

### **1. Balance Sheet**

At the closing of December, 2010, the Bank presented a total assets of R\$ 1.693.642 and a net worth of R\$ R\$ 484.234. Most of the liabilities obtained to fund BSMB's assets were provided by Sumitomo Mitsui Banking Corporation, New York, under import, export, Resolution 3.844, and also under time deposits of local customers. These amounts as of December 31, 2010 represented 23,20% and 46,57% of Bank's liabilities respectively.

### **2. Income Statement**

BSMB's net income after taxes for December end, 2010 represented a profit of approximately 43, 09% for each thousands of shares.

Due to the Bank's customer oriented profile, the main income resources of BSMB are related credit operations (loans, onlending, export and import finance), intermediation of structured transactions and treasury.

## **XII. FINANCIAL STATEMENTS**

BANCO SUMITOMO MITSUI BRASILEIRO S/A  
As of December 31, 2010

*(Convenience translation into English from the original previously issued in Portuguese)*

### **1. Independent Auditor's Report on the Financial Statements**

To the Shareholders and Management of  
Banco Sumitomo Mitsui Brasileiro S.A. (São Paulo – SP)

We have audited the accompanying financial statements of Banco Sumitomo Mitsui Brasileiro S.A. ("the Bank"), which comprise the balance sheet as of December 31, 2010 and the related statements of income, changes in shareholders' equity and cash flows for the year and semester then ended, and a summary of significant accounting practices/policies and other notes to the financial statements.

### **2. Management's responsibilities for the Financial Statements**

The Bank's Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for the internal controls it determined as necessary to enable that the preparation of the financial statements are free from material misstatement, whether due to fraud or error.

### **3. Independent Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with national and international auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In these risk assessments, the auditor considers internal controls relevant to the elaboration and presentation of the Bank's financial statements in order to plan audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's accounting practices adopted and the reasonableness of accounting estimates performed by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **4. Opinion**

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Banco Sumitomo Mitsui Brasileiro S.A. as of December 31, 2010, the financial performance of its operations and its cash flows for the year and semester then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank.

São Paulo, February 28, 2011.

### XIII. BALANCE SHEETS

As of December 31, 2010 and 2009 *(In thousand of Reais)*

Assets	Note	2010	2009	Liabilities	Note	2010	2009
<b>Current assets</b>		1.015.209	835.245	<b>Current liabilities</b>		1.095.509	870.820
<b>Cash</b>		10.561	10.200	<b>Deposits</b>	13	598.853	637.444
<b>Interbank investments</b>	5	619.955	362.938	Demand deposits		36.117	15.901
Money market		563.018	332.799	Foreign currency deposits		2	-
Interbank deposits		48.610	30.139	Time deposits		562.734	618.610
Investment in foreign currencies		8.327	-	Other deposits		-	2.933
				<b>Money market funding</b>	14	166.284	37.032
<b>Securities and derivatives</b>		5.809	81.723	Own portfolio		166.284	37.032
Own portfolio	6.a	3.096	81.042				
Subject to committed operations		2.465	-	<b>Interbranch accounts</b>		21.096	7.242
Linked to guarantees		248	-	Third-party funds in transit		21.096	7.242
Derivatives	6.b	-	681				
<b>Interbank accounts</b>		124.634	6.721	<b>Borrowings</b>	15.a	191.496	152.648
<b>Restricted deposits</b>		124.634	6.721	Foreign borrowings		191.496	152.648
Deposits at the Brazilian Central Bank	7	124.568	6.580	<b>Domestic onlendings</b>	15.c	14	15
Domestic correspondents		66	141	FINAME		14	15
<b>Loans</b>	8	32.874	196.754	<b>Foreign onlendings</b>	15.b	88.857	3.824

Private sector		32.925	197.159				
Allowance for loan losses		(51)	(405)	Foreign onlendings		88.857	3.824
<b>Other receivables</b>		<u>221.142</u>	<u>176.606</u>	<b>Derivatives</b>	6.b	<u>4.417</u>	<u>752</u>
Foreign exchange portfolio	9	201.233	170.794	Derivatives		4.417	752
Income receivable		33	30				
Sundry	10	22.138	7.587	<b>Other payables</b>		<u>24.492</u>	<u>31.863</u>
Allowance for loan losses		(2.262)	(1.805)				
				Collected taxes and other		2.126	609
<b>Other assets</b>		<u>234</u>	<u>303</u>	Foreign exchange portfolio	9	10.397	16.952
				Social and statutory		427	235
Prepaid expenses		189	261	Taxes payable	16.a	7.486	10.244
Storeroom supplies		45	42	Subordinated debt	16.c	70	71
				Sundry	16.b	3.986	3.752
<b>Long-term assets</b>		<u>673.909</u>	<u>341.607</u>				
				<b>Long-term liabilities</b>		<u>112.847</u>	<u>113.329</u>
<b>Interbank investments</b>	5	<u>15.184</u>	<u>7.043</u>				
				<b>Domestic onlendings</b>	15.c	<u>26</u>	<u>40</u>
Interbank investments		15.184	7.043				
				FINAME		26	40
<b>Securities and derivatives</b>	6.a	<u>650.803</u>	<u>323.198</u>				
				<b>Other payables</b>		<u>112.821</u>	<u>113.289</u>
Own portfolio		383.661	234.239				
Repurchase agreements		164.936	37.148	Taxes payable	16.a	26.948	25.775
Linked to guarantees		102.206	51.811	Subordinated debt	16.c	66.616	69.616
				Sundry	16.b	19.257	17.898
<b>Loans</b>	8	<u>797</u>	<u>468</u>				
				<b>Deferred income</b>		<u>1.052</u>	<u>764</u>
Private sector		800	471				

Allowance for loan losses		(3)	(3)	Deferred income		1.052	764
<b>Other receivables</b>		<u>7.101</u>	<u>10.885</u>	<b>Shareholders' equity</b>	18	<u>484.234</u>	<u>196.333</u>
Sundry	10	23.105	43.736	<b>Capital</b>		<u>667.807</u>	<u>409.357</u>
Provision for other receivables		(16.004)	(32.851)				
				Residents in Brazil		2	2
<b>Other assets</b>		<u>24</u>	<u>13</u>	Residents abroad		667.805	409.355
				Capital reserve		10.351	10.351
Prepaid expenses		24	13	Legal reserve		1.439	-
				Adjustment to fair value - Securities		69	(605)
<b>Permanent Assets</b>		<u>4.524</u>	<u>4.394</u>	Accumulated losses		(195.432)	(222.770)
<b>Investments</b>	11	<u>969</u>	<u>887</u>				
<b>Investments in subsidiary</b>		<u>914</u>	<u>862</u>				
Domestic		914	862				
<b>Other investments</b>		55	25				
<b>Property and equipment</b>	12	<u>2.183</u>	<u>2.035</u>				
Other property and equipment		5.809	5.737				
Accumulated amortization		(3.626)	(3.702)				
<b>Deferred charges</b>		<u>22</u>	<u>52</u>				
Organization and expansion costs		1.560	1.534				
Accumulated amortization		(1.538)	(1.482)				
<b>Intangible assets</b>		<u>1.350</u>	<u>1.420</u>				
Intangible assets		5.553	5.233				
Accumulated amortization		(4.203)	(3.813)				
<b>Total assets</b>		<u><u>1.693.642</u></u>	<u><u>1.181.246</u></u>	<b>Total liabilities</b>		<u><u>1.693.642</u></u>	<u><u>1.181.246</u></u>

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

#### XIV. STATEMENTS OF INCOME

Years ended December 31, 2010 and 2009, and  
Semester ended December 31, 2010  
(In thousands of Reais - except net income/ (loss) per thousand shares)

	Note	2010		2009
		2 <sup>nd</sup> semester	Year	Year
<b>Financial income</b>		51.820	94.821	79.726
Loans operations	20.a	4.712	10.838	18.761
Securities transactions	20.b	47.108	79.381	60.965
Foreign exchange income	20.c	-	4.602	-
<b>Financial expenses</b>		(47.991)	(60.177)	(196.201)
Funding operations	20.d	(26.897)	(47.545)	(38.599)
Borrowings and onlendings	20.e	(1.786)	(15.838)	(23.055)
Derivative transactions	6.b	(7.981)	(13.538)	(44.192)
Foreign exchange transactions	20.c	(12.246)	-	(57.365)
Allowance for loan losses	8.e	919	16.744	(32.990)
<b>Gross profit from financial transactions</b>		3.829	34.644	(116.475)
<b>Other operating income (expenses)</b>		8.068	(578)	97.014
Income from services provided	20.f	6.958	10.592	13.856
Personnel expenses	20.g	(12.313)	(21.517)	(21.487)
Other administrative expenses	20.h	(6.070)	(12.281)	(11.694)
Tax expenses	20.i	(2.896)	(4.279)	(3.780)
Equity in subsidiaries	11	32	52	46
Other operating income	20.j	23.995	31.533	148.103
Other operating expenses	20.k	(1.638)	(4.678)	(28.030)
<b>Income from operations</b>		11.897	34.066	(19.461)
<b>Non operating income</b>	20.l	113	409	1.934
<b>Income (loss) before taxes and interests</b>		12.010	34.475	(17.527)
<b>Income tax and social contribution</b>	19	(3.422)	(5.303)	(8.460)
Income tax		(2.125)	(3.295)	(5.294)
Social contribution		(1.297)	(2.008)	(3.166)
<b>Statutory profit sharing</b>		(395)	(395)	(235)
<b>Net income (loss) for the semester/year</b>		8.193	28.777	(26.222)
<b>Net income (loss) per thousand shares - R\$</b>		12,27	43,09	(64,06)

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

## XV. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2010 and 2009, and  
Semester ended December 31, 2010  
(In thousands of Reais)

	Note	Realized Capital	Capital Reserve	Reserve Profits Legal	Adjustment to fair value Securities and Derivatives	Accumulated Losses	Total
<b>Balances as of December 31, 2008</b>		409.357	10.351	-	286	(196.548)	223.446
Adjustment to fair value - Securities and derivatives		-	-	-	(891)	-	(891)
Losses for the year		-	-	-	-	(26.222)	(26.222)
<b>Balances as of December 31, 2009</b>		409.357	10.351	-	(605)	(222.770)	196.333
Capital increase	18.a	258.450					258.450
Adjustment to fair value - Securities and derivatives		-	-	-	674		674
Net income for the year		-	-	-	-	28.777	28.777
Legal Reserve		-		1.439		(1.439)	-
<b>Balances as of December 31, 2010</b>		667.807	10.351	1.439	69	(195.432)	484.234
<b>Balances as of June 30, 2010</b>		409.357	10.351		(93)	(202.186)	217.429
Capital increase	18.a	258.450			-		258.450
Adjustment to fair value - Securities and derivatives		-	-	-	162		162
Net income for the semester		-	-	-	-	8.193	8.193
Legal Reserve		-	-	1.439	-	(1.439)	-
<b>Balances as of December 31, 2010</b>		667.807	10.351	1.439	69	(195.432)	484.234

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

## XVI. STATEMENT OF CASH FLOWS

Years ended December 31, 2010 and 2009, and  
Semester ended December 31, 2010  
(In thousands of Reais)

	Bank		
	2010		2009
	2 <sup>nd</sup> semester	Year	Year
<b>Cash flows from operating activities</b>			
<b>Net income/(loss) for the semester/year</b>	8.193	28.777	(26.222)
<b>Adjustments included not affecting cash flow</b>			
Depreciation and amortization	542	1.134	1.143
Allowance (reserval) for contingencies	1.232	2.533	12.074
Equity in subsidiaries	(32)	(52)	(46)
Allowance (reserval) for loan losses	(919)	(16.744)	32.990
<b>Changes in assets and liabilities</b>			
(Increase) decrease in interbank investments	14.754	(26.612)	78.704
(Increase) decrease in securities	(288.335)	(251.699)	(47.448)
(Increase) decrease in interbank accounts	(118.039)	(117.913)	(5.824)
(Increase) decrease in loans operations	48.672	163.905	199.457
(Increase) decrease in other receivables	(31.036)	(24.362)	248.386
(Increase) decrease in other assets	152	59	(49)
Increase (decrease) in deposits	143.569	(38.591)	229.163
Increase (decrease) in money market funding	122.770	129.252	19.136
Increase (decrease) in interbranch accounts	14.416	13.854	(7.812)
Increase (decrease) un other payables	(17.519)	(7.371)	(15.746)
Increase (decrease) in derivatives	1.022	4.346	(4.117)
Increase (decrease) in deferred income	164	288	(32)
<b>Net cash used in operating activities</b>	(109.410)	(154.844)	693.818
<b>Cash flows from investing activities</b>			
Sale of investments			10
Disposal of fixed assets for use	122	125	16
Disposal of intangible assets	-	-	3
Purchase of investment (-)	-	(30)	-
Purchase of property and equipment (-)	(808)	(961)	(71)
Investments in intangible assets (-)	(130)	(320)	(1.071)
Deferred charges (-)	-	(26)	-
<b>Net cash used in investing activities</b>	(816)	(1.212)	(1.113)
<b>Cash flows from financing activities</b>			
Increase (decrease) in borrowings	117.996	123.866	(484.736)
Increase (decrease) subordinated debt instruments eligible for capital	(5.427)	(3.001)	(23.991)
Payment of Capital	258.450	258.450	-
<b>Net cash generated (used) in financing activities</b>	371.019	379.315	(508.727)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>269.809</b>	<b>238.907</b>	<b>203.917</b>
Cash	15.390	10.200	59.086
Interbank investments	296.707	332.799	79.996
<b>Cash and cash equivalents at beginning of semester/year</b>	<b>312.097</b>	<b>342.999</b>	<b>139.082</b>

Cash	10.561	10.561	10.200
Interbank investments	571.345	571.345	332.799
<b>Cash and cash equivalents at end semester/year</b>	<b>581.906</b>	<b>581.906</b>	<b>342.999</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>269.809</b>	<b>238.907</b>	<b>203.917</b>

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

## **XVII. NOTES TO THE FINANCIAL STATEMENTS**

Years ended December 31, 2010 and 2009, and  
Semester ended December 31, 2010  
(*In thousands of Reais*)

### **1. Operations**

Banco Sumitomo Mitsui Brasileiro S.A ("Bank") is a multiple service bank, with commercial portfolios, including foreign exchange and investment portfolios, under National Monetary Council (CMN) Resolution nº 1524/88.

The Bank is responsible for managing investment funds with net worth of of R\$ 366,150 as of December 31, 2010 (R\$ 293,547 in 2009).

### **2. Presentation of Financial Statements**

The financial statements have been prepared and are being disclosed in accordance with Brazilian accounting practices, considering the changes required by Law 11.638/2007 and Law 11.941/2008, together with the standards and instructions issued by the Central Bank of Brazil (BACEN) through the Accounting Chart for Institutions of the National Financial System (COSIF).

### **3. Significant Accounting Practices**

The Bank adopts the following significant accounting practices in the preparation of its financial statements:

#### **3.1. Revenue and Expense recognition**

Revenues 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 related assets and liabilities. Floating-rate or foreign currency-denominated transactions are inflation adjusted through the balance sheet date.

#### **3.2. Cash and Cash equivalents**

Cash and cash equivalents are represented by cash in domestic currency and investments in the open market, in which transactions maturity on the actual dates of investments is equal to or less than 90 days, and present an insignificant risk of a change in value and are used by the Bank to manage its short-term commitments.

#### **3.3. Accounting estimates**

The elaboration of the financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment to determine and record the accounting estimates. Significant assets and liabilities subject to these estimates

and assumptions include the residual value of property, plant and equipment, the allowance for loan losses, the provision for contingencies and valuation of securities and derivative instruments. The settlement of transactions involving these estimatives may result in different amounts due to the lack of precision inherent to the process of its determination.

### **3.4. Interbank investments**

The interbank investments are stated at cost, plus income earned up to the balance sheet date.

### **3.5. Securities and Derivatives**

According to Central Bank of Brazil Circular nº 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 are adjusted at fair value, with gains and losses included in the income for the year.
- ✓ **Available-for-sale securities** - Securities not classified as trading securities or held-to-maturity securities are adjusted at fair value, with gains and losses reported in a separate caption of shareholders' equity, net of taxes;
- ✓ **Held-to-maturity** - Securities for which there is the intent and ability to hold to maturity are stated at cost, plus income earned, included in income for the year.

Derivatives, composed solely of swap transactions, have their differential receivable or payable record in assets or liabilities, market-adjusted against the income.

According to BACEN Circular nº 3.082, of January 30, 2002 and Circular Letter nº 3.026, of July 5, 2002, derivatives are evaluated at fair values, and the valuation or depreciation record is accounted in the income for the period as follows:

- ✓ Derivatives not designated as hedge - as income or expenses in the statement of income in the result for the year.
- ✓ Financial instruments designated as hedge of:

- Market risk are intended to hedge against risks of exposure to changes in market value of the item subjected to the hedge and its valuation or depreciation is accounted against the accounts of income or expense in the income.

- Cash flow are intended to hedge against fluctuations in the change in estimated future cash flow and its appreciation or depreciation is recorded as a contra account in stockholders' equity.

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

### **3.6. Loans operations and allowance for loan losses**

Loans are classified according to Management's risk evaluation, taking into consideration economic conditions, past experience and specific risks of the operation, debtors and guarantors, according to the parameters established by the CMN Resolution 2.682/1999, procedure which requires a periodic analysis of the portfolio and its classification into nine levels, from "AA" (minimum risk) to "H" (loss).

Income from loans overdue for more than 60 days, regardless of risk rating, is recognized as income only when earned.

Transactions classified into level "H" (100% allowance) remain under this classification for six months, after with they are written off against the recorded 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 as previously classified. Renegotiated loans that had already been written off against the allowance and that were controlled memorandum accounts are classified as level H, and any gains resulting from the renegotiation are recognizes as income only when earned.

The allowance for loan losses meets the minimum requirements established by the CMN Resolution 2.682/1999.

### **3.7. Other current and long-term assets**

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

### **3.8. Property and equipment**

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

### **3.9. Deferred assets**

Deferred assets are stated at the cost of acquisition or formation, less the accumulated amortization calculated up to the year-end date, and are basically represented by leasehold improvements, amortized over the lease contractual term.

### **3.10. Intangible assets**

The intangible asset refers to the expenses from acquiring the systems, which are amortized on a straight line basis at an annual rate of 20%.

### **3.11. Impairment on nonmonetary assets**

An impairment loss is recognized if the carrying value of an asset or its cash generating unit exceeds its recoverable value. A cash generating unit is the smallest identifiable

group of assets which generates cash flows substantially independent from other assets and groups of assets. Impairment losses are recognized in income for the period. Since 2008, the amounts of nonmonetary assets, except for tax credits, are tested at least annually to determine if there is any indication of impairment.

### **3.12. Inflation adjustment of receivables and payables**

Receivables and payables legally or contractually subject to exchange rate change or variation of indices are adjusted through the balance sheet date. The contra entries of these inflation adjustments are reflected directly in the income for the year.

### **3.13. Deposits and money market funding**

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

### **3.14. Contingent assets and liabilities and legal obligations**

The recognition, measurement and disclosure of contingent assets and liabilities and of legal obligations (tax and social security) are performed in accordance with criteria defined by the National Monetary Council (CMN) Resolution 3.823/2009, which approved CPC 25 issued by the Committee for Accounting Pronouncements (CPC). The criteria used by the Management for the measurement and disclosure of the contingent assets and liabilities are:

- ✓ **Contingent assets** - They are not recognized in the financial statements, except on the occasions in which there is the existence of supporting evidence that provide assurance as to their realization, on which appeals are no longer admissible.
- ✓ **Contingent liabilities** - They are recognized in the financial statements on the occasions in which, based on the legal advisors' and the Management's opinion, the risk of loss of a legal action or administrative proceeding is assessed as probable, and the amounts involved are measurable with sufficient certainty. As for labor contingencies, the provisions are recorded based on the decision rendered in lower court in labor circuit court.
- ✓ **Legal obligations – tax and social security** - They refer to legal claims, in which the legality and constitutionality of some taxes and contributions have been challenged. The amounts discussed are fully recorded in the financial statements and corrected in accordance with the legislation in force.

Contingent liabilities are disclosed in notes to the financial statements, unless the chances of occurrence of any disbursement in settlement are remote.

Judicial deposits are held in asset account, without deducting them from provisions for contingent liabilities and legal obligations, in compliance with the BACEN rules.

### **3.15. Income tax and social contribution**

The provision for income and social contribution taxes is calculated based on the rate of 15% plus a surtax of 10% on taxable income in excess of R\$ 240 for the year, adjusted by

additions and exclusions established in law. The social contribution determined on the adjusted income in accordance with the legislation in force is calculated at a rate of 15%.

Tax benefits arising from the utilization of tax loss carryforwards and other temporary differences are recognized only when actually utilized due to the losses reported in the last years, as explained in note 19b.

#### 4. Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows are broken down as follows:

	2010	2009
Cash	10.561	10.200
Interbank investments	571.345	332.799
<b>Total cash and cash equivalents</b>	<b>581.906</b>	<b>342.999</b>

#### 5. Interbank investments

As of December 31, 2010 and 2009, interbank investments are broken down as follows:

	2010			
	Up to 3 months	From 3 to 12 months	Over 12 months	Total
<b>Investments in the open market</b>	<u>563.018</u>	—	—	<u>563.018</u>
<b>Own portfolio</b>	<u>563.018</u>	—	—	<u>563.018</u>
National Treasury Bills - LTN	222.998	-	-	222.998
National Treasury Notes - F Tranche	340.020	-	-	340.020
<b>Investments in interbank deposits</b>	<u>4.996</u>	<u>43.614</u>	<u>15.184</u>	<u>63.794</u>
Not linked	4.996	43.614	15.184	63.794
<b>Investments in foreign currencies</b>	<u>8.327</u>	=	=	<u>8.327</u>
<b>Total</b>	<u>576.341</u>	<u>43.452</u>	<u>15.346</u>	<u>635.139</u>
	2009			
	Up to 3 months	From 3 to 12 months	Over 12 months	Total
<b>Investments in the open market</b>	<u>332.799</u>	=	=	<u>332.799</u>
<b>Own portfolio</b>	<u>332.799</u>	=	=	<u>332.799</u>
National Treasury Bills - LTN	332.799	-	-	332.799
<b>Investments in interbank deposits</b>	<u>2.811</u>	<u>27.328</u>	<u>7.043</u>	<u>37.182</u>
Not linked	2.811	27.328	7.043	37.182
<b>Total</b>	<u>335.610</u>	<u>27.328</u>	<u>7.043</u>	<u>369.981</u>

## 6. Securities and derivatives

### 6.1. 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 December 31, 2010 and 2009 is classified into the available-for-sale securities category, as shown below:

<b>2010</b>						
<b>Market value (book)</b>						
<b>Available-for-sale</b>	<b>Up to 90 days</b>	<b>From 180 to 360 days</b>	<b>Over 360 days</b>	<b>Total</b>	<b>Adjustment fair value</b>	<b>Adjustment cost</b>
Own Portfolio:						
Treasury Financial Letters	-	-	322.082	322.082	(10)	322.092
National Treasury Notes - F tranche	<u>3.096</u>	-	<u>61.579</u>	<u>64.675</u>	<u>(115)</u>	<u>64.790</u>
	<u>3.096</u>	-	<u>383.661</u>	<u>386.757</u>	<u>(125)</u>	<u>386.882</u>
Subject to repurchase commitments:						
Treasury Financial Letters	-	-	116.669	116.669	(13)	116.682
National Treasury Notes - F tranche	<u>2.465</u>	-	<u>48.267</u>	<u>50.732</u>	<u>213</u>	<u>50.519</u>
	<u>2.465</u>	-	<u>164.936</u>	<u>167.401</u>	<u>200</u>	<u>167.201</u>
Linked to guarantees:						
Treasury Financial Letters	-	-	97.344	97.344	2	97.342
National Treasury Notes - F tranche	<u>248</u>	-	<u>4.862</u>	<u>5.110</u>	<u>21</u>	<u>5.089</u>
	<u>248</u>	-	<u>102.206</u>	<u>102.454</u>	<u>23</u>	<u>102.431</u>
<b>Total</b>	<u>5.809</u>	<u>-</u>	<u>650.803</u>	<u>656.612</u>	<u>98</u>	<u>656.514</u>

<b>2009</b>						
<b>Market value (book)</b>						
<b>Available-for-sale</b>	<b>Up to 90 days</b>	<b>From 180 to 360 days</b>	<b>Over 360 days</b>	<b>Total</b>	<b>Adjustment fair value</b>	<b>Adjustment cost</b>
Own Portfolio:						
National Treasury Letters	59.980	-	-	59.980	3	59.977
Treasury Financial Letters	-	-	136.409	136.409	2	136.407
National Treasury Notes - F tranche	-	<u>21.062</u>	<u>97.830</u>	<u>118.892</u>	<u>(973)</u>	<u>119.865</u>
	<u>59.980</u>	<u>21.062</u>	<u>234.239</u>	<u>315.281</u>	<u>(968)</u>	<u>316.249</u>
Subject to repurchase commitments:						
Treasury Financial Letters	-	-	<u>37.148</u>	<u>37.148</u>	-	<u>37.148</u>
	-	-	<u>37.148</u>	<u>37.148</u>	-	<u>37.148</u>
Linked to guarantees:						
Treasury Financial Letters	-	-	<u>51.811</u>	<u>51.811</u>	1	<u>51.810</u>
	-	-	<u>51.811</u>	<u>51.811</u>	<u>1</u>	<u>51.810</u>
<b>Total</b>	<u>59.980</u>	<u>21.062</u>	<u>323.198</u>	<u>404.240</u>	<u>(967)</u>	<u>405.207</u>

The market value of marketable securities is calculated in accordance with the rates disclosed by the Brazilian Financial and Capital Markets Association – ANBIMA.

Public securities are held in custody with Special Settlement and Custody - SELIC.

## 6.2. Derivatives

Derivative instruments, composed of swap operations, are held in custody with BM&FBOVESPA.

The exposure in the asset and liability positions and the amounts recorded in asset, liability and memorandum accounts as of December 31, 2010 and 2009, which are segregated into the categories of index, maturity band, notional and carrying value, counterparty of which are clients, are shown as follows:

<b>2010</b>						
<b>Fair value (book)</b>						
<b>Index</b>	<b>Trading location</b>	<b>National amount</b>	<b>Up to 90 days</b>	<b>Over 90 days</b>	<b>Total</b>	<b>Adjusted Cost</b>
Asset position:						
Dollar	BM&FBOVESPA	152.864	-	150.343	150.343	150.494
Liability position:						
Interbank deposit rate - CDI	BM&FBOVESPA	152.864	=	<u>154.760</u>	<u>154.760</u>	<u>154.760</u>
Differential receivable (payable)			=	<u>( 4.417)</u>	<u>( 4.417)</u>	<u>4.266</u>

<b>2009</b>						
<b>Fair value (book)</b>						
<b>Index</b>	<b>Trading location</b>	<b>National amount</b>	<b>Up to 90 days</b>	<b>Over 90 days</b>	<b>Total</b>	<b>Adjusted Cost</b>
Asset position:						
Dollar	BM&FBOVESPA	68.524	-	68.836	68.836	69.588
Liability position:						
Interbank deposit rate - CDI	BM&FBOVESPA	68.524	=	<u>68.907</u>	<u>68.907</u>	<u>68.907</u>
Differential receivable (payable)			=	<u>( 71)</u>	<u>( 71)</u>	<u>681</u>

The market value of derivative financial instruments is determined discounting the future values at present value based on the interest rate curves for market methodology, which is mostly based on data disclosed by the BM&FBOVESPA.

The book values are composed as follows:

	2010	2009
Difference receivable	-	681
Difference payable	(4.418)	(752)
<b>Net</b>	<b>(4.418)</b>	<b>(71)</b>

The results with derivative financial instruments for the years ending December 31, 2010 and 2009 are presented below:

Derivatives	Results					
	2010			2009		
	Income	Expense	Net	Income	Expense	Net
"Swap"	<u>1.319</u>	(14.857)	<u>(13.538)</u>	<u>1.860</u>	(46.052)	<u>(44.192)</u>

#### a) Amount and type of guarantee margin

The amount of margin deposited as guarantee for derivative transactions on the BMF&BOVESPA as of December 31, 2010 and 2009 is follow:

Available-for-sale securities	Fair value	
	2010	2009
Treasury Financial Letters	34.306	29.384
National Treasury Bills – F Tranche	<u>5.110</u>	-
<b>Total</b>	<u>39.416</u>	<u>29.384</u>

Other amounts deposited as collateral, which include guarantee, as of December 31, 2010 and 2009, are composed as follows:

Available-for-sale securities	Fair value	
	2010	2009
Treasury Financial Letters	<u>63.038</u>	<u>22.427</u>
<b>Total</b>	<u>63.038</u>	<u>22.427</u>

## 7. Interbank

### 7.1. Restricted Deposits

Amount represented by deposits with the Central Bank of Brazil, in regards to the compulsory deposits on demand funds, rural credit and microcredit. In December 2010 we had a substantial increase in the compulsory balance on demand deposits, due to the closure of some foreign exchange operations with clients, which caused direct impact on the balance of current accounts and, therefore, on the average used to calculate this compulsory balance. These amounts were back to their usual level in January 2011.

## 8. Loans

As of December 31, 2010 and 2009, information on the loan portfolio is summarized as follows:

### a) By Operation

Description	2010	2009
Overdraft account	5.157	42.220
Resolution 2.770/2000 (formerly Resolution 63)	5.528	3.880
BNDES on-lending - FINAME - FINEM and EXIM	40	54
Compror financing	6.997	17.496
Working capital	14.623	76.510
Export Credit Note (NCE)	-	55.955
Vendor financing	1248	1461
Financing for individuals	43	53
Financing in foreign currency	90	-
Other receivables (note 10)	22.846	31.500
Total loans	56572	229129
Advances on foreign exchange contracts (note 9)	197.697	161.819
Income receivable from advances (note 9)	1.739	2.931
<b>Total loans portfolio</b>	<b>256.008</b>	<b>393.879</b>

### b) By Maturity

	2010	2009
Current:	22.780	13.035
Up to 30 days	65.328	134.994
From 31 to 60 days	29.297	31.291
From 61 to 90 days	75.810	143.289
From 91 to 180 days	37.927	29.923
From 181 to 360 days	23.066	471
Past due	1.800	40.876
<b>Total</b>	<b>256.008</b>	<b>393.879</b>

Loans of the 20 largest debtors as of December 31, 2010 represent 96.82% of the loan portfolio (88.80% in 2009) in the amount of R\$ 247,864 (R\$ 379,886 in 2009).

### c) By Rating

Risk rating	Provision rate - %	2010			2009		
		Total transactions	% of portfolio	Allowance recognized	Total transactions	% of portfolio	Allowance recognized
AA	-	97.341	38	101	263.860	67	328
A	0,5	98.856	39	802	48.328	13	300
B	1,0	36.965	14	830	40.815	10	744
E	30	10.145	4	3.045	-	-	-
G	70,0	-	-	-	40.876	10	32.851
H	100,0	<u>12.701</u>	<u>5</u>	<u>12.701</u>	-	-	-
<b>Total</b>		<u>256.008</u>	<u>100</u>	<u>17.479</u>	<u>393.879</u>	<u>100</u>	<u>34.223</u>

#### d) By business sector

	2010	2009
Private sector:		
Industry	170.260	342.309
Trade	85.604	51.517
Other services	100	-
Individuals	<u>44</u>	<u>53</u>
<b>Total</b>	<u>256.008</u>	<u>393.879</u>

#### e) Change in the allowance for loan losses

	2010	2009
Saldo inicial	34.223	1.233
Complemento (reversão)	<u>(16.744)</u>	<u>32.990</u>
<b>Saldo final</b>	<u>17.479</u>	<u>34.223</u>

In the year ended December 31, 2010, there was a loan recovery in the amount of R\$ 18,238 related to renegotiated operations.

The value of R\$ 841, booked in other receivables without extension of credit's feature, refers to the provision of residual balance of the asset to offset PIS (Employees' Profit Participation Project) object litigation (Note 10).

### 9. Foreign Exchange portfolio (other receivables and other payables)

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

	2010	2009
<b>Assets:</b>		
Foreign exchange sold pending settlement	196.624	158.582
Receivables for foreign exchange sold	3.434	9.877
Advances received in local currency	( 564)	( 596)
Income receivable from advances granted (note 8)	<u>1.739</u>	<u>2.931</u>
<b>Total</b>	<u>201.233</u>	<u>170.794</u>

	<b>2010</b>	<b>2009</b>
<b>Liabilities:</b>		
Foreign exchange sold pending settlement	3.423	9.886
Payables for foreign exchange purchased	204.671	168.841
Advances on foreign exchange contracts (note 8)	(197.697)	(161.819)
Unearned income from advances granted	<u>-</u>	<u>44</u>
<b>Total</b>	<u><b>10.397</b></u>	<u><b>16.952</b></u>

## 10. Other receivables - Sundry

Represented by the following amounts:

	<b>2010</b>	<b>2009</b>
Escrow deposits	10.891	10.337
Prepayments of income tax and social contribution	4.706	6.793
State income surtax available for offset	232	232
Tax on revenue (PIS)	840	840
Tax credits on adjustment to fair value - securities (note 19b)	-	640
Receivables from business intermediation	5.504	643
Other receivables	22.846	31.500
Other	<u>224</u>	<u>338</u>
<b>Total</b>	<u><b>45.243</b></u>	<u><b>51.323</b></u>
Current assets	<u>22.138</u>	<u>7.587</u>
Long-term assets	<u>23.105</u>	<u>43.736</u>

The amount of other accounts receivable in the amount of R\$ 22,8467 refers to the operations of advances on export contracts (ACC), of a client who is in the middle of a judicial reorganization process. On March 26 a debt renegotiation agreement, amount of which must be paid up to May 30, 2014, was signed. As of December 31, 2010 the respective credit is provisioned in the amount of R\$ 15,745.

## 11. Investments

BSMB Consultoria Ltda. ("BCC") was established on July 1, 2009, and its fully subscribed and paid-up capital as of December 31, 2010 is R\$ 800 thousand, represented by 1,000 shares with par value of R\$ 800 each. The Bank holds 99.9% of that company's capital. BCC is engaged in: (a) planning, preparing, implementing and providing technical and financial advisory on energy and reduction of greenhouse effect gas emissions projects; and (b) intermediation, brokerage, mediation and agency of services and transactions involving the carbon credit market.

<b>Information on subsidiary:</b>	
Capital	800
Shareholder's equity	914
Net income for the year	52
Ownership interest	99,9%
<b>Changes in investments:</b>	
Prior-year balance	862
Equity is subsidiary for the year	52
<b>Updated balance of investments as of December 31, 2010</b>	<b>914</b>

## 12. Property and equipment

As of December 31, 2010 and 2009, property and equipment are as follows:

Description	Annual depreciation rate - %	Cost	2010		2009
			Accumulated depreciation	Net	Net
Data processing system	20	3.446	(2.303)	1.143	1.449
Furniture and equipment	10	800	( 591)	209	211
Communication system	10	259	( 226)	33	44
Security system	10	287	( 262)	25	13
Transportation system	20	<u>1.017</u>	<u>( 244)</u>	<u>773</u>	<u>318</u>
<b>Total</b>		<u>5.809</u>	<u>(3.626)</u>	<u>2.183</u>	<u>2.035</u>

## 13. Deposit

Breakdown by maturity as of December 31, 2010 and 2009:

Description	2010				2009			
	Demand deposits	Time deposits	Foreign currency deposits	Other deposits	Demand deposits	Time deposits	Foreign currency deposits	Other deposits
Without maturity	36.117	-	2	-	15.901	-	-	2.932
Up to 30 days	-	19.653	-	-	-	41.461	-	-
From 31 to 60 days	-	18.345	-	-	-	3.322	-	-
From 61 to 90 days	-	19.154	-	-	-	95.012	-	-
From 91 to 180 days	-	75.694	-	-	-	21.764	-	-
From 181 to 360 days	-	223.152	-	-	-	352.098	-	-
Over 360 days	-	<u>206.736</u>	-	-	-	<u>104.953</u>	-	-
<b>Total</b>	<u>36.117</u>	<u>562.734</u>	<u>2</u>	<u>-</u>	<u>15.901</u>	<u>618.610</u>	<u>-</u>	<u>2.932</u>

The time deposit portfolio was classified in current liabilities because they are entirely registered with Cetip with early redemption clause.

## 14. Money market funding

Securities	2010		2009	
	Own portfolio	Total	Own portfolio	Total
Treasury Financial Letters	116.256	116.256	37.032	37.032
National Treasury Notes - F Tranche	<u>50.028</u>	<u>50.028</u>	-	-
	<u>166.284</u>	<u>166.284</u>	<u>37.032</u>	<u>37.032</u>

## 15. 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 December 31, 2010 and 2009 is basically composed of export financing, maturing through November 10, 2011, subject to normal interest rates plus exchange rate changes for these transactions.

### b) Foreign onlendings

Foreign onlendings as of December 31, 2010, correspond to US\$ 53.250 (2009 - US\$ 2,170). These obligations, translated at the official semester-end buying rate, are ruled by CMN Resolution 2.770/2000 and are subject to normal interest rates for these transactions, plus exchange rate changes, with repayment periods between 1 and 12 months.

### c) Domestic onlendings

Consist basically National Bank for Economic and Social Development (BNDES) financing under the FINAME program, maturing by September 16, 2013, in the amount of R\$ 39 (2009 - R\$ 55).

## 16. Other payables

### a) Taxes payable

Description	2010	2009
Provision for income tax and social contribution (note 19.a)	5.303	8.460
Provision for tax contingencies (note 17)	6.365	6.091
Service tax (ISS)	295	241
Withholding income tax (IRRF) on fixed-income transactions	327	269
Tax on revenue (COFINS)	546	339
Tax on revenue (PIS)	89	55
Deferred income tax and social contribution	30	-
Severance Pay Fund (FGTS)	99	87
Taxes and contributions - outside services	9	10
PIS Offset (note 17)	16.496	15.710
PIS Constitutional amendment (note 17)	4.087	3.974
Taxes and contributions	-	713
Taxes on salary pay	568	-
Contribution to FGC	139	-
Other	82	70
<b>Total</b>	<b>34.435</b>	<b>36.019</b>
Current liabilities	7.487	10.244
Long-term liabilities	26.948	25.775

## b) Other

Descrição	2010			2009		
	Current	Long-term liabilities	Total	Current	Long-term liabilities	Total
Provision for contingencies (Note 16)	-	19.258	19.258	-	17.898	17.898
Accrued personnel expenses	3.691	-	3.691	3.240	-	3.240
Accrued general expenses	284	-	284	505	-	505
Other	<u>11</u>	-	<u>11</u>	<u>7</u>	-	<u>7</u>
<b>Total</b>	<b><u>3.986</u></b>	<b><u>19.258</u></b>	<b><u>23.244</u></b>	<b><u>3.752</u></b>	<b><u>17.898</u></b>	<b><u>21.650</u></b>

## c) Subordinated debt eligible for capital

The Bank obtained a loan in the amount US\$ 40 million from the controlling shareholder Sumitomo Mitsui Banking Corporation for a period of 15 years, which was authorized by BACEN on November 10, 2006, to be considered as subordinated debt, being part of Level II of the institution's regulatory capital, pursuant to CMN Resolution 2.837/2001.

## 17. Provision for contingent liabilities and tax risks

Among the lawsuits that involve the Bank, there are processes of tax, civil and labor.

The provision amounts and the respective escrow deposits are follows:

Description	Provision		Escrow deposits	
	2010	2009	2010	2009
Legal obligations:				
PIS offsetting (a)	16.496	15.710	-	-
PIS Emenda constitucional (b)	4.087	3.974	-	-
Social contribution - CSLL (c)	5.824	5.440	5.824	5.440
Brazilian Securities and Exchange Commission (CVM) inspection fee (d)	<u>402</u>	<u>651</u>	<u>337</u>	<u>310</u>
Total	<u>26.809</u>	<u>25.775</u>	<u>6.161</u>	<u>5.750</u>
Provision for tax contingencies:				
ISS - Rio de Janeiro Municipality	-	-	2.115	1.987
ISS - São Paulo Municipality (g)	<u>139</u>	-	<u>1.579</u>	<u>1.471</u>
Total	<u>139</u>	-	<u>3.694</u>	<u>3.458</u>
Provision for contingencies:				
Civil (e)	14.096	12.571	-	-
Labor (f)	<u>5.162</u>	<u>5.327</u>	<u>739</u>	<u>880</u>
	<u>19.258</u>	<u>17.898</u>	<u>739</u>	<u>880</u>
<b>Total contingent liabilities</b>	<b><u>46.206</u></b>	<b><u>43.673</u></b>	<b><u>10.594</u></b>	<b><u>10.088</u></b>

- (a) Refers to the offsetting of PIS claimed in courts due to the disallowance by the Brazilian Federal Revenue Service of the credits offset and not approved.
- (b) The Bank has lawsuits related to PIS Precedence EC 10/96 and 17/97, questioning the constitutionality of the taxes.
- (c) The Bank questions the increase in rates from 18% to 30% related to the year of 1996 and the determination of the calculation basis of social contribution. A provision related to the difference paid below the expected figure due to the matters under litigation was recorded. According to the opinion of the legal advisors the chances of loss related this litigation are assessed as possible.
- (d) The Bank is challenging the collection of the "inspection fee" on the fair value of securities in certain periods and the related provision is being adjusted based on Selic variation.
- (e) The provision refers basically to lawsuits related to the elimination of inflation effects on time deposits when the likelihood of disbursements is probable. Management, based on the opinion of its legal counsel, understands that the applicable legal actions already taken are appropriate.
- (f) The provision refers to lawsuits filed by former employees claiming labor rights they understand are due. Lawsuits are individually controlled and the provision is recognized based on lower labor court decisions. Management, based on the opinion of its legal counsel, understands that the amounts currently accrued are adequate.
- (g) The provision refers to a portion of the proceeding under discussion related to Service Tax-São Paulo, and basically to the portion charged related to the services of exchange operations for the period from 2001 to 2003 and collaterals provided in the year of 2004, in which the Bank understands that the chances of financial disbursement are probable.

Management understands, based on the opinion of the Company's legal advisors, that the chances of success regarding the contingencies described below are possible, and, therefore did not perform the provisioning as determined by the BACEN Resolution 3.823.

- ✓ The Bank has tax suits related to Service Tax – São Paulo, basically on commissions received in loan and exchange operations, collaterals provided, totaling the non-provisioned portion of approximately R\$1,301. In November 2009, a deposit in court was performed in the total amount of the proceeding, for case development purposes of the latter in the court sphere.
- ✓ The Bank is a party to tax lawsuits related to ISS - Rio de Janeiro Municipality, claiming the payment of this tax on commissions received on loan and onlending transactions and income recorded under the caption "apportionment of internal income". The amount adjusted through December 31, 2010 is R\$ 3,056 (2009 - R\$ 2,780).
- ✓ The Bank also has civil contingencies related to processes for excessive inflation on interbank deposits, which, based on the arguments and opinions of the legal advisors, which take into consideration the legal uncertainty as to the legal ability of the plaintiff to file the claim, the chances of loss are possible, the Bank's management did not record a provision for the amounts questioned, which updated to December 31, 2010 total approximately R\$ 20,277 (2009 - R\$ 17,833).
- ✓ The Bank has contingent liabilities related to a Public Civil Action challenging the fee charge on checks issued above R\$ 5. Based on the opinion of legal advisors, the

chances of loss are possible, therefore, management did not record a provision for the amounts involved, which updated to December 31, 2010 total R\$ 240 (2009 - R\$ 220).

### a) Changes in contingent liabilities and legal obligations

	<b>2010</b>			
	<b>Tax</b>	<b>Labor</b>	<b>Civil</b>	<b>Total</b>
<b>Balance as of December 31, 2009</b>	<u>25.775</u>	<u>5.327</u>	<u>12.571</u>	<u>43.673</u>
Provision recognized	139	1.261	-	1.400
Inflation adjustment	1.233	4	1.525	2.762
Write-offs due to payment	( 199)	(1.430)	-	( 1.629)
<b>Balance as of December 31, 2010</b>	<u>26.948</u>	<u>5.162</u>	<u>14.096</u>	<u>46.206</u>

### b) The risk classification of lawsuits in process is as follows

#### Tax

<b>2010</b>			
<b>Risk classification</b>	<b>Number of lawsuits</b>	<b>Claimed amount</b>	<b>Accrued</b>
Probable loss	1	337	402
Possible loss	7	<u>31.041</u>	<u>26.546</u>
<b>Total</b>	<u>8</u>	<u>31.378</u>	<u>26.948</u>

#### Civil

<b>2010</b>			
<b>Risk classification</b>	<b>Number of lawsuits</b>	<b>Claimed amount</b>	<b>Accrued</b>
Possible loss	9	34593	14096
Remote loss	3	<u>53</u>	-
<b>Total</b>	<u>12</u>	<u>34.646</u>	<u>14.096</u>

#### Labor

<b>2010</b>			
<b>Risk classification</b>	<b>Number of lawsuits</b>	<b>Claimed amount</b>	<b>Accrued</b>
Probable loss	9	1542	1543
Possible loss	13	3117	3585
Remote loss	1	34	34
<b>Total</b>	<u>23</u>	<u>4.693</u>	<u>5.162</u>

## 18. Shareholders' equity

### a) Capital

The Bank performed, on December 1, 2010, a capital increase with funds of the overseas shareholder in the amount of R\$ 258,450, approved on December 3, 2010 by the Central Bank of Brazil. Capital as of December 31, 2010 is represented by common shares at the par value of R\$ 1.00 each, which are distributed as follows:

	Number of shares (thousand)
Sumitomo Mitsui Banking Corporation (Japan)	667.805
Shareholders domiciled in Brazil	1
<b>Total</b>	<b>667.806</b>

### b) Dividends

Shareholders are entitled to a minimum dividend of 25% of the net income for the year, adjusted according to corporate law and by-laws. In the year ended December 31, 2010 no dividends were proposed or paid as the Bank has accumulated losses.

### c) Statutory Reserve

The legal reserve was recorded as established in the corporate law, and may be used for offsetting losses or increasing the capital.

## 19. Income tax and social contribution

### a) As of December 31, 2010 and 2009, the income tax and social contribution tax basis was calculated as follows:

	2010		2009	
	Income tax	Social contribution	Income tax	Social contribution
Income before taxes on income less profit sharing	34.080	34.080	(17.762)	(17.762)
Reversal of operating accruals	(19.238)	(19.238)	(11.623)	(11.623)
Temporary provisions	4.717	4.322	55.628	55.628
Adjustment to fair value of derivatives	( 323)	( 323)	1.309	1.309
Nondeductible expenses	332	332	2.899	2.663
Equity in subsidiary	( 52)	( 52)	( 46)	( 46)
Dividends received	-	-	( 16)	( 16)
	<u>-</u>	<u>-</u>	<u>( 16)</u>	<u>( 16)</u>
Utilization of tax loss carryforwards	<u>( 5.855)</u>	<u>( 5.736)</u>	<u>( 9.117)</u>	<u>( 9.046)</u>
Taxable income	13.661	13.385	21.272	21.107
Income Tax - 15% (note 3.o)	2.049	-	3.191	-
Income surtax - 10% (note 3.o)	1.342	-	2.103	-
Worker's Meal Program and Citizen Company Program	( 96)	-	-	-
Social contribution - 15% ( note 3.o)	-	<u>2.008</u>	-	<u>3.166</u>
<b>Total</b>	<u>3.295</u>	<u>2.008</u>	<u>5.294</u>	<u>3.166</u>

## b) Tax credits

Deferred tax assets, recorded as of December 31, 2010, in the amount of R\$ 30 (2009 R\$ 640- deferred tax liabilities) are related exclusively to adjustments at market value of the operations with marketable securities classified as available for sale, as established by the BACEN Circular 3.068, present values of which are R\$ 27 (2009 – R\$ 515). These amounts are recorded in the account "Provisions for deferred income and social contribution taxes", and in "Other Liabilities – Tax and Social Security Liabilities in 2009".

In view of the losses incurred in the last years, the Bank has not recognized tax credit on tax loss carryforwards and temporary differences; this credit is recognized only when it is actually utilized. As of December 31, 2010, the unrecorded tax credit is R\$ 110.989 (R\$ 117,735 in 2009).

## 20. Statement of income

### a) Loan

	2010	2009
Income from loans	10.834	18.703
Income from financing and onlendings	4	58
<b>Total</b>	<b>10.838</b>	<b>18.761</b>

### b) Securities transactions

	2010	2009
Income from interbank investments	39.244	21.709
Income from securities transactions	40137	39256
<b>Total</b>	<b>79.381</b>	<b>60.965</b>

### c) Foreign exchange transactions

	2010	2009
Income from foreign exchange transactions	25.386	88.781
Expenses on foreign exchange transactions	(20784)	(146146)
<b>Total</b>	<b>4.602</b>	<b>(57.365)</b>

### d) Funding Operations

	2010	2009
Expenses on time deposits	(40.342)	(35.791)
Expenses on repurchase commitments	(6490)	(2202)
Expenses on contributions to the guarantee fund	(713)	(606)
<b>Total</b>	<b>(47.545)</b>	<b>(38.599)</b>

### e) Borrowings and onlendings

	2010	2009
Expenses on BNDES	(3)	(52)
Expenses on foreign borrowings and onlendings	(12217)	(20816)
Expenses on subordinated debt	(3617)	(2187)
<b>Total</b>	<b>(15.837)</b>	<b>(23.055)</b>

### f) Income from services provided

	2010	2009
Income from fees and services	97	112
Income from business intermediation	8107	11683
Income from guarantees provided	2388	2061
<b>Total</b>	<b>10.592</b>	<b>13.856</b>

### g) Personal expenses

	2010	2009
Salaries	(12.650)	(11.769)
Payroll taxes	(4367)	(5646)
Benefits	(2.526)	(2.310)
Management compensation	(1906)	(1662)
Training	(68)	(54)
Interns	-	(46)
<b>Total</b>	<b>(21.517)</b>	<b>(21.487)</b>

### h) Other administrative expenses

	2010	2009
Rental	(2632)	(2432)
Data processing	(1.827)	(3.106)
Specialized technical services	(3043)	(1717)
Communication	(1.011)	(1.058)
Financial systems services	(244)	(234)
Maintenance and upkeep of assets	(261)	(206)
Security and surveillance services	(262)	(249)
Transportation	(103)	(88)
Materials	(115)	(121)
Public utilities	(111)	(111)
Outside services	(375)	(178)
Advertising and public relations	(157)	(124)
Insurance	(66)	(63)
Promotion and public relations	(35)	(24)
Charitable contributions	(15)	(11)
Depreciation and amortization	(1.134)	(1.141)
Other	(890)	(830)
<b>Total</b>	<b>(12.281)</b>	<b>(11.694)</b>

### i) Tax Expenses

	2010	2009
COFINS	(2.263)	(2.496)
ISS	(591)	(757)
PIS	(368)	(415)
Other	(1057)	(112)
<b>Total</b>	<b>(4.279)</b>	<b>(3.780)</b>

### j) Other operating income

	2010	2009
Exchange rate changes - foreign borrowings	14.558	101.560
Exchange rate changes - foreign onlendings	1538	19915
Exchange rate changes - subordinated debt	5.412	23.832
Exchange rate changes - foreign currency deposits	4.789	-
Investment fund management fees	1108	846
Income from other accounts receivable	1.628	-
Recovery of charges and expenses	1.034	715
Reversal of operating provisions	1217	735
Other	249	500
<b>Total</b>	<b>31.533</b>	<b>148.103</b>

### k) Other operating expenses

	2010	2009
Exchange rate changes - foreign deposits	(1986)	(9001)
Exchange rate changes - foreign currency financing	-	(1.234)
Exchange rate changes - foreign currency investments	-	(6.495)
Exchange rate changes - other	-	(27)
Operating provisions	(2.582)	(11.172)
Other	(110)	(101)
<b>Total</b>	<b>(4.678)</b>	<b>(28.030)</b>

### l) Non operational results

	2010	2009
Profit on disposal of investments - Cetip shares	284	1261
Profit on disposal of fixed assets	100	2
Other non operational income	25	101
<b>Total</b>	<b>409</b>	<b>1.364</b>

## 21. Balances and transactions with related parties

### a) Transactions with Parent Companies (Direct and Indirect)

The balances of transactions with related parties (basically Sumitomo Mitsui Banking Corporation), conducted under normal market conditions, concerning agreed-upon maturities and yield are as follows:

	<u>Assets( Liabilities)</u>		<u>Income (expenses)</u>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Cash - foreign currency deposits	5.690	9.825	-	-
Receivables - commission on business intermediation	8.327	-	489	-
Demand deposits	5.504	643	7.874	11.683
Foreign borrowings	(191.496)	(152.648)	2.341	82.194
Foreign onlendings	( 88.857)	( 3.824)	1.003	18.464
Subordinated debt	<u>( 66.686)</u>	<u>( 69.687)</u>	<u>1.795</u>	<u>21.645</u>
<b>Total</b>	<u>(327.518)</u>	<u>(215.691)</u>	<u>13.502</u>	<u>133.986</u>

## b) Compensation of key management personnel

Pursuant to Resolution 3.750 of the Central Bank of Brazil and Technical Pronouncement CPC 05 – Disclosure of Related Parties, it has been defined as key personnel of this institution all the members of its Board of Directors.

The global compensation of the Directors is paid in conformity with the by-laws of Banco Sumitomo Mitsui Brasileiro S.A

In the most recent amendment to the by-laws of April 2010, the maximum global monthly compensation of the Directors was defined at R\$ 250 (salaries).

### ✓ Short-term benefits to Directors

	<u>2010</u>	<u>2009</u>
Salaries	1.906	1.662
Variable compensation	630	686
Contribution to INSS/FGTS	<u>662</u>	<u>716</u>
<b>Total</b>	<u>3.198</u>	<u>3.064</u>

### ✓ Post-employment benefits

In accordance with the pension fund ruling, the Directors may opt to participate in the Defined-Benefit Supplementary Pension Plan, fully sponsored by Banco Sumitomo Mitsui Brasileiro S.A., under the same conditions of the other employees of the Bank (note 23).

Banco Sumitomo Mitsui does not have long-term benefits, benefits for rescission of employment contract or stock-based compensation to its key management personnel.

## c) Other information

Pursuant to current legislation, financial institutions cannot grant loans, financing or advances to:

- ✓ Directors and members of the advisory or administrative councils, tax council and alike, as well as to their respective spouses and second degree relatives;
- ✓ Individuals or legal entities holding more than 10% of its capital; and
- ✓ Legal entities the capital of which are held by more than 10% by the financial institution itself, any Executive Officer or manager of the institution, as well as by their respective spouses and second degree relatives.

Based on the foregoing, the Bank does not and did not grant loans, financing or any other advance to the Directors or to any member of their family.

The members of the Board of Directors did not hold any interest in the capital of the Bank.

## 22. Operating limits

### 22.1. Basel ratio

In accordance with the National Monetary Council Resolution 2.099/1994, as amended by resolutions 3.444/2007, 3.490/2007 and Circular 3.360/2007, BACEN established the mandatory maintenance of an Adjusted Shareholder's Equity value compatible with the risk level of the asset structure.

Since July 1, 2009 the calculation of the Operating Limit was altered by the New Capital Accord (Basel II), with incorporated new risk factors to calculate the Separate Minimum Capital Requirement. As the basis, we used the Required Regulatory Capital (RRC) divided by 11%, with is the minimum capital required by Bacen, and is now calculated as follows:  $PRE = Pepr + Pcam + Pjur + Pcom + Pacs + Popr$ , as shown in the table below.

Operating Limit calculation for the year ended December 31, 2010 and 2009 is as follows:

<b>2010</b>		
	<b>Value</b>	<b>Risk</b>
Credit risk portion (Pepr)	68.600	
Foreign exchange risk portion (Pcam)	-	
Interest rate risk portion (Pjur)	1.688	
Operational risk portion (Popr)	8.258	
Required Regulatory Shareholders Equity (PRE)	78.546	
Risk of part of banking portfolio (Rban)	2.155	
Regulatory Shareholders Equity - Tier I and II		549.553
Risk Factor - 11% on (PR)		60.451
Basel ratio (% Risk Factor/PRE)		76.96

2009		
	Value	Risk
Credit risk portion (Pepr)	74.625	
Foreign exchange risk portion (Pcam)	3.234	
Interest rate risk portion (Pjur)	4.254	
Operational risk portion (Popr)	6.830	
Required Regulatory Shareholders Equity (PRE)	88.943	
Risk of part of banking portfolio (Rban)	763	
Regulatory Shareholders Equity - Tier I and II		264.614
Risk Factor - 11% on (PR)		29.107
Basel ratio (% Risk Factor/PRE)		32.73

### 23. Guarantees provided and responsibilities for opened import credit lines

As of December 31, 2010 and 2009, guarantees provided by the Bank total:

	2010	2009
In the country	281.157	235.417
Abroad	<u>15.829</u>	<u>24.220</u>
<b>Total</b>	<u>296.986</u>	<u>259.637</u>

As of December 31, 2010, the Bank had a balance of R\$ 2,936 in the account of responsibility for claims opened for imports (R\$- in 2009).

### 24. Post-employment benefits

The Bank is sponsor of the Banco Sumitomo Mitsui Brasileiro Sociedade de Previdência Privada, established on April 20, 1992, the basic purpose of which is granting benefits and/or supplemental income to the Bank's employees and directors by means of a defined benefit plan. Participants (employees) are entitled to a benefit upon termination of the employment relationship, calculated according to the regulation provisions, for with the amount will depend on the participant's salary and length of service at termination date.

The Entity's actuarial liabilities were determined in accordance with the model established in the respective plan and represent the amount of commitments made and to be made. The Bank did not have any actuarial liabilities as of December 31, 2010, based on the actuarial calculations in accordance with the CVM Rule 600/2010.

Description	Pension Plan	
	2010	2009
Present value of actuarial liabilities	21.473	17.516
Fair value of plan assets	<u>(22.624)</u>	<u>(20.614)</u>
Present value of liabilities in excess of the fair value of assets	<u>( 1.151)</u>	<u>( 3.098)</u>
Adjustments for permitted deferrals		
Effect deriving from the limit of Paragraph 58(b) (including the recommendations of IFRIC 14)	<u>1.151</u>	<u>3.098</u>
Net actuarial liability	≡	≡
Actuarial assumptions:		
Nominal discount rate for actuarial liability	10.50% p.a.	11.29% p.a.
Expected nominal yield rate on assets	11.29% p.a.	11.29% p.a.

Estimated rate of nominal salary increase	7,63% p.a.	7.63% p.a.
Estimated rate of nominal benefit increase	4,50% p.a.	4.50% p.a.
Estimated inflation rate	4,50% p.a.	4.50% p.a.
Biometric table of general mortality	AT -1983	AT -1983
Biometric table of disability	"Mercer" Table	"Mercer" Table
Expected turnover rate	0.30/ (time of service +1)	0.30/ (time of service +1)
	10% on the 1st date of eligibility to early retirement	
	3% between the 1st eligibility to early and normal retirement	
	100% on the date of eligibility to normal retirement	
Retirement probability		

As of December 31, 2010, the entity had 83 active participants in the defined benefit plan and 17 participants enjoying the benefits (retirement and pension). In the quarter ended December 31, 2010, the Bank made contributions to the aforementioned pension plan entity, in the amount of R\$ 1,303 (R\$ 1,104 in 2009).

## **XVIII. Customer SERVICE CHANNELS**

### **3. SAC**

The SAC - Customer Support Service -, according to the dispositions of Decree 6523/08, is a service provided, by phone, for the resolution of problems in the business relationship, by providing public and general information about products and services, receipt of complaints and cancellation requests regarding products and services offered by Banco Sumitomo Mitsui Brasileiro S.A.

The customer should contact SAC whenever he/she is looking for the solution of some problem in the relationship with Banco Sumitomo Mitsui Brasileiro S.A., to make complaints, to request the cancellation of products or services or, yet, to request public and general information about the products and services offered by Banco Sumitomo Mitsui Brasileiro S/A.

☎ 0800 - 722 - 0248

✉ [sac@smbcgroup.com.br](mailto:sac@smbcgroup.com.br)

### **4. Ombudsman**

The Ombudsman is the link between BSMB and its customers. The Ombudsman is in charge of representing the customers, their points of view and interests within the Institution. It must 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 customer must access the Ombudsman 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. In this sense, Ombudsman may request, in certain cases, the protocol of prior attendance in other service channels.

The Ombudsman 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.

☎ 0800 – 722 - 2762

✉ [ouvidoria@smbcgroup.com.br](mailto:ouvidoria@smbcgroup.com.br)

