



2010 Annual Report

Investing in Brazil, a country
of many colors and cultures

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Banco Fibra has expanded into several areas of the country, contributing to the growth and development of the Brazilian economy while respecting the unique aspects of the local cultures. In this annual report, we would like to highlight the value of Brazil's regional features through their cultural expression, such as folklore and handicrafts, renowned for their visual richness and popular tradition. Travel with us to these regions and learn about the cultural elements that are perpetuated thanks to the wisdom and knowledge of people of fibra.*

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*PEOPLE OF FIBRA/FIBER, WHICH IN PORTUGUESE IS A PLAY ON WORDS, ALLUDING BOTH TO THE FIRM'S NAME FIBRA (FIBER) AND TO THE FIGURATIVE MEANING OF THIS WORD IN THAT LANGUAGE: FIRM CHARACTER, WILLPOWER AND MORAL VALUE.



1.

INTRODUCTION

ABOUT THE REPORT

For the first time, Banco Fibra has prepared its Annual Report based on the guidelines of the Global Reporting Initiative (GRI). The information concerns the year 2010 and the structure and content comply with Level C reporting parameters, suitable for companies and institutions that are beginners in terms of disclosing information and results in accordance with these standards. The previous report was published in May 2009. (GRI 3.1, 3.3, 3.2)

The content of this document was determined internally, based on the subjects considered to be of interest for the different audiences with which the Bank maintains an ongoing relationship, namely, shareholders, clients, investors, personnel and suppliers. (GRI 3.5)

The economic, social and environmental information presented concerns the Bank and its subsidiary CREDIFIBRA (GRI 3.6, 3.7, 3.8). The economic and financial data were calculated based on Brazil's generally accepted accounting standards and were audited by the KPMG Auditores Independentes auditing firm (GRI 3.13). The data on social and environmental aspects comply with in-house criteria and were checked by professional teams from the Bank itself. (GRI 3.9, 3.13)

The occasional reformulation of information provided in past reports is shown and explained over the course of this document (GRI 3.10). No significant changes occurred in the comparison with prior years in terms of the scope, limit or metrics methods used in the Report. (GRI 3.11)

Doubts or requests for additional information on the content hereof should be sent to the Investor Relations area (ir@bancofibra.com.br, phone number 55 (11) 3847-6640, or fax number 55 (11) 3811-4788). (GRI 3.4)

BANCO FIBRA

Banco Fibra is dedicated to providing specialized services to its clients, regardless of whether they are companies or individuals. These services focus on meeting client credit needs, especially in relation to the terms, security and quality of these operations. The main interest is the combination of specialization and integrity of the services the Bank renders. [\(GRI 2.1\)](#)

The Bank organizes its operations along two lines of business: Wholesale and Retail. In the Wholesale segment, it provides credit in local currency and financial operations for organizations, predominantly those with R\$40 million to R\$400 million annual sales. In the Retail segment, it provides direct credit for individual consumers, vehicle financing, and payroll- and pension-deductible loans. Headquartered in the São Paulo state capital, it has 20 business units for the Wholesale segment and 26 for the Retail segment and it is present in the Brazil's five geographic regions. [\(GRI 2.2, 2.7, 2.4, 2.3, 2.5\)](#)

Controlled by Grupo Vicunha, a conglomerate comprised of enterprises in the textile, steel, energy, agro-industrial and real estate sectors, Fibra has one more shareholder, the International Finance Corporation (IFC), a World Bank institution that finances the private sector and that holds a 7.9% stake in the Fibra's capital. [\(GRI 2.6\)](#)

Fibra reached the end of 2010 with R\$ 10.0 billion in assets, or 14% less than at the end of 2009, which puts it in the category of midsized banks, and a credit portfolio of R\$ 7.9 billion, 43% above that of the previous year. [\(GRI 2.8\)](#)

The Wholesale product portfolio, which focuses on middle market enterprises, includes credit for working capital in local currency, structured loans to meet the particularities of its clients' businesses, on-lendings from the BNDES (National Bank for Social and Economic Development), trade finance operations

for export companies, and agribusiness financing, besides bank guarantees.

In the Retail segment, it has initiated the operations of its finance company, CREDIFIBRA, and it made two important acquisitions during the year: Sofcred Promotora, the Banco Sofisa company in charge of managing its payroll-deductible credit and vehicle financing operations, and Validata, a company that issues, processes and acquires credit cards. [\(GRI 2.9\)](#)

The Wholesale and Retail segment operations have the support of the Funding and Treasury areas, which are in charge of managing liquidity and the Bank's own resources, by obtaining funds and structuring financial products for clients, such as foreign exchange and foreign trade operations.

HISTORY

1987 – Fibra begins operating as a securities broker.

1988 – It starts operating as an investment bank, centering its activities on the treasury area, as the financial unit of Grupo Vicunha.

1989 – It is licensed by the Central Bank to operate as a multiple-services bank.

1994 – It conducts its first corporate credit operations for large and mid-sized clients. It also starts providing consumer credit.

1999 – It adjusts the focus of its business in order to target middle market companies.

2005 – It starts offering payroll- or pension-deductible loans to active civil servants and pensioners of the INSS, the National Social Security Institute. Regarding credit for companies, it strengthens its operations by opening offices in several locations around the country.

AWARDS (GRI 2.10)

Banco Fibra was among the 'Top 5' institutions according to the respondents of research on the expected performance of market indices, as reported by Gerin (the Department of Investor Relations and Special Studies), a branch of the Central Bank of Brazil. Fibra was also rated among the five best institutions in terms of forecasting the Selic interest rate and the foreign exchange rate. The annual classifications – 'Top 5' short- and medium-term rankings – started being published as of January 2009, to identify and award the institutions that take part in the Market Expectations System with more consistent monthly estimates during the course of the preceding year.

Banco Fibra's 2009 Annual Report was ranked among the five best ones by ABRASCA (the Brazilian Association of Publicly-Traded Companies). Fibra was competing in the category of privately held enterprises with net revenues under R\$ 1 billion. This was the third consecutive year in which Fibra ranked among the top five.

Fibra was among the top 10 in the Top Basic Agência Estado Projections ranking (which evaluates inflation, foreign exchange and interest rates).

The objective is to identify and award market professionals which most closely forecast the basic economic indicators. Participants include banks, brokers, consultants, asset managers, schools and others that periodically forecast economic indicators.

2006 – It acquires a services and sales promotion company headquartered in the South region. This firm starts operating under the name GVI (the Grupo Vicunha initials) Promotora de Vendas e Serviços Ltda.

2007 – The International Finance Corporation (IFC), which is the World Bank's private sector financing unit, acquires a 7.9% stake in the Bank. Fibra acquires the sales promoting enterprise Lecca, from Rio de Janeiro. The firm was subsequently incorporated into GVI.

2008 – Grupo Vicunha and IFC increase the Bank's capital by R\$ 275 million, maintaining their respective percentage stakes in the Bank.

2009 – GVI starts financing vehicles, by acquiring PauliCred Promotora de Negócios.

2010

- Fibra acquires Sofcred Promotora, which managed Banco Sofisa's vehicle financing and payroll-deductible loan operations.
- It sets up CREDIFIBRA, a finance company that absorbs all of the Bank's Retail operations.
- It acquires Validata, a company that issues, processes and acquires credit cards.
- Grupo Vicunha and IFC increase the Bank's capital by another R\$ 100 million.

2010 HIGHLIGHTS

— 108% growth of the Retail credit portfolio, to R\$ 2.5 billion, due primarily to the acquisition of Sofcred and part of its vehicle-financing portfolio and to Brazil's current buoyant economy.

— 28% growth of company credit operations, to R\$ 5.2 billion, driven by the economy's good performance and by the geographic expansion of the Bank in this segment, with the inauguration of four business platforms, so that the Bank now has 20 units distributed throughout the country.

— 31% growth of total funding, to R\$ 8.3 billion. Funding from abroad amounted to R\$ 2.0 billion and domestic funding reached R\$ 6.3 billion.

— Delinquency (payments past due by more than 90 days) dropped to 1.4%, lower than the 2009 level of 1.8% and than the market ratio of 4.6%, according to a report released by Brazil's Central Bank.

— Improvement of the domestic long- and short-term ratings from "A-(bra)" to "A(bra)" and from "F2(bra)" to "F1(bra)", according to the Fitch Ratings risk

classification agency, in August. The Standard & Poor's agency also raised Banco Fibra's Brazil Domestic Scale ratings to "brA/brA-2" and reiterated the "BB-/B" ratings on a global scale, in November.

— Start-up in March of the operations of CREDIFIBRA, the financing firm in which all of the Bank's Retail operations have been centralized: CDC (consumer credit) and structured CDC, payroll-deductible loans, vehicle financing and credit cards.

— Acquisition of Sofcred Promotora, the business unit that managed the vehicle financing and payroll-deductible loan operations of Banco Sofisa, in March, for R\$ 120 million. The transaction also involved the purchase of a portfolio of approximately R\$ 400 million, with recourse.

— Acquisition, in September, of Validata, a firm specializing in electronic means of payment and that focuses on providing credit via cards.

— Expansion of the Wholesale area platforms from 16 to 20, to expand service to corporate segment clients.

— July start-up of the activities of the Growth Management Project, which is to complete, within two years, the Banco Fibra operating excellence model.

— Conclusion of the three structured funding deals in the international market: subordinate debt of US\$ 25 million with a six-year term, funded from DEG (a German governmental institution that finances investments for private-sector companies in developing countries – March 2010); a US\$ 200 million bond, maturing in three years (April 2010); and US\$ 135 million from the International Finance Corporation (IFC) and a group of 11 banks, a loan of the A/B type (July 2010).

— R\$ 100 million capital increase, of which R\$ 92.1 million were paid in by Elizabeth S.A., a Grupo Vicunha company and the Bank's controlling stakeholder, and R\$ 7.9 million were paid in by the International Finance Corporation (IFC), which has a 7.9% stake in the bank's capital. As a result, their respective stakes in the Bank remained unchanged.

MAIN INDICATORS

INCOME (IN MILLIONS OF R\$)	2005	2006	2007	2008	2009	2010
FINANCIAL OPERATIONS INCOME	1,505	1,620	1,987	2,908	951	1,797
GROSS INCOME FROM FINANCIAL OPERATIONS	102	173	237	214	351	368
OPERATING INCOME	35	103	83	28	130	53
NET INCOME	40	71	69	91	25	4
BALANCE SHEET (IN MILLIONS OF R\$)						
TOTAL ASSETS	9,375	8,326	13,808	9,163	11,699	10,048
SHAREHOLDERS' EQUITY	397	441	505	747	696	792
DEPOSITS	1,253	1,844	2,599	2,708	3,631	5,189
LOANS	2,104	3,244	4,449	4,315	5,525	7,893
PERFORMANCE INDICATORS						
RETURN ON AVERAGE EQUITY (1)	9.8%	15.4%	14.3%	14.1%	3.5%	0.5%
NET MARGIN (2)	1.6%	2.4%	3.6%	3.4%	5.5%	5.9%
EFFICIENCY RATIO (3)	54.0%	34.0%	44.0%	49.2%	41.6%	61.9%
LOAN PROVISION SURPLUS	127%	116%	296%	134%	195%	221%
BASEL INDEX (4)	14.9%	13.7%	13.2%	14.2%	17.7%	13.3%(5)
LOAN PROVISIONS TO CREDIT PORTFOLIO	1.7%	1.8%	2.5%	4.3%	3.5%	3.1%
OPERATING INDICATORS						
ACTIVE CLIENTS – WHOLESALE	668	841	1,030	1,054	1,169	1,525
ACTIVE CLIENTS – RETAIL (IN THOUSANDS)	344	620	830	993	880	1,071
POINTS OF SALE – RETAIL	391	2,719	7,257	9,722	15,972	16,052
NUMBER OF EMPLOYEES	282	659	1,013	858	1,051	1,622

(1) PERCENTAGE OF NET INCOME OVER THE AVERAGE BALANCE OF SHAREHOLDERS' EQUITY

(2) GROSS INCOME FROM FINANCIAL INTERMEDIATION WITHOUT THE IMPACT OF THE PROVISION FOR DOUBTFUL ACCOUNTS AS A PERCENTAGE OF THE AVERAGE BALANCE OF INCOME-BEARING ASSETS

(3) (PERSONNEL AND ADMINISTRATIVE EXPENSES) / (GROSS INCOME FROM FINANCIAL INTERMEDIATION, PROVISIONS EXCLUDED (+) SERVICE FEES (-) TAX EXPENSES (+) OTHER OPERATING RESULTS)

(4) PERCENTAGE OF SHAREHOLDERS' EQUITY ADJUSTED FOR THE VALUE OF RISK-WEIGHTED ASSETS. IN 2008, 2009 AND 2010: BASEL II

(5) INCLUDES DEG SUBORDINATED DEBT

RISK AGENCY	AREA	RATING	RATING DATE
MOODY'S	BANK DEPOSITS		APR 29, 2011
	— FOREIGN CURRENCY	BA2/NP	
	— NSR-LOCAL CURRENCY	Aa3.BR/BR-1	
	— BANK FINANCIAL STRENGTH	D	
	— OUTLOOK	STABLE	
STANDARD & POOR'S	GLOBAL SCALE		NOV 19, 2010
	— FOREIGN CURRENCY	BB-/STABLE/B	
	— LOCAL CURRENCY	BB-/STABLE/B	
	BRAZILIAN SCALE	BrA/STABLE/BrA-2	
FITCH RATINGS	NATIONAL		AUG 20, 2010
	— LONG TERM	A (BRA)	
	— SHORT TERM	F1 (BRA)	
	— SUPPORT	5	
	— OUTLOOK	STABLE	
RISKBANK	LOW RISK FOR MEDIUM TERM (BEING MONITORED)	9.82	APR 27, 2011



MESSAGE FROM THE CHAIRMAN

The growth of Brazilian income per capita and the ongoing expansion of the demand for credit helped our commercial performance in 2010. Significant advances in the Wholesale and Retail businesses materialized, of which the following stand out: the growth of the Bank's presence throughout the country; the startup of CREDIFIBRA (the finance company that centralizes all our transactions for individuals); and the acquisition of Sofcred Promotora (the administrator of the vehicle financing operations and payroll- and pension-deductible loans of Banco Sofisa) and of Validata, a company specializing in providing credit by means of cards.

The outcome of the sum of these initiatives was a growth of 108% in our Retail credit operations, to R\$ 2.5 billion, and of 28% in our Wholesale segment operations, which amounted to R\$ 5.2 billion. The growth of the portfolio of these two segments totaled an expansion of 43% in relation to 2009, above the market's 17% growth of free resources. This performance, coupled with our risk management policy, helped to cut the default ratio of contracts more than 90 days past due to 1.4%, in contrast to the market average of 4.6%.

The year's net income reached R\$ 3.7 million and shareholders' equity, of R\$ 792 million, a 14% growth relative to the December 2009 balance. These results reflect the reassessment of the pricing and marking to market criteria of certain corporate assets (fiscal hedge), overstated by R\$ 114 million in the 2010, 2009 and 2008 financial statements. R\$ 26 million concern the adjustment of the net income of the first half of 2010, whereas the balance refers to the net income and net equity of the two previous years. These adjustments, coupled with non-recurrent expenses of the order of R\$ 57 million, mainly due to our strong investments in the Retail segment,

caused the bank to achieve a lower level of recurrent results, which affected the year as a whole.

In 2010, we ended a transition phase, consisting of a cycle of investments in the Retail operations, and we initiated the process of consolidating the Bank's expansion. To support these activities, we obtained a capital increase of R\$ 100 million, of which R\$ 92.1 million were paid in by Elizabeth S.A., a company that is part of Grupo Vicunha, the Bank's controlling stakeholder. The other R\$ 7.9 million came from the International Finance Corporation (IFC), which holds a 7.9% stake in the Bank.

Additionally, we initiated the Growth Management Project in the Wholesale segment, with which we plan to conclude the Banco Fibra operating excellence model within two years. This initiative is additional to our investments in technology and management systems to strengthen our customer service and specialization capacity.

We would like to thank our employees, service providers and investors for their commitment to the growth process that the Bank has undertaken in the last few years. We are sure that the phase that we are now entering will be professionally productive, as it will provide us with experience with more advanced business development bases. We would also like to thank our clients for the opportunities that they have given us to overcome challenges and to exercise our products and services specialties.

RICARDO STEINBRUCH
CHAIRMAN OF THE BOARD OF DIRECTORS

THE BEAUTY OF THE HISTORIC MARAJOARA CERAMICS

The cultural richness of the Marajoara ceramics is the legacy of the ancient civilizations from Brazil's North region. Produced and preserved by new artists, these ceramics have a range of uses and patterns, ranging from utilitarian objects to decorative ornaments.



2.

STRATEGY AND MANAGEMENT

STRATEGY

In 2010, Banco Fibra entered a period of business consolidation and organic growth, with the conclusion of a cycle of substantial Retail business acquisitions that began in 2006. As a result, the Bank searched to strengthen its management

model and benefit from the growth in its Wholesale and Retail segments. During this process, it relied on governance, technology, people and risk management as the cornerstones for the achievement of its business objectives.

In this new stage, efforts are to focus on four work fronts:

- Optimization of the structure, the resources and the costs that resulted from the acquisitions;
- Investments in technology, particularly to develop solutions for clients of retail and wholesale segments;
- Operating improvements by means of the Growth Management Project, which is to produce, by 2012, an excellence model capable of further strengthening the sales force;
- Growth of the commercial base building upon the infrastructure established in the last two years.

THE ART OF BOBBIN LACE

Bobbin lace is among the most genuine representations of Brazilian handicrafts and it is strongly disseminated in the State of Ceará. The bobbins are a type of wooden rod with a head on one end. The thread for making the lace is wound around these bobbins, which are always used in pairs.

GROWTH MANAGEMENT

The Growth Management Project, introduced in 2010, is comprised of a set of initiatives to improve and automate the processes that uphold the credit granting procedure. In its first stage, the most critical processes, which are those that involve the operating flow, were mapped. During 2010, one of the main gains was the implementation of the Commercial Support Area, which focuses on the operating efficiency of client care and the rendering of services to clients, thereby freeing up the commercial area for business activities.

For 2011, the total investment in improving operating efficiency amounts to R\$ 26 million. A total of R\$ 12 million was invested in 2010 in the structure and expansion of the branches, in moving the Bank's headquarters, in the creation of technological infrastructure and in the set-up of a new Data Processing Center. The outcome of these investments, planned for the first half of 2012, will consist of gaining speed of action, security and operating efficiency in the corporate credit business and will free up the commercial area for sales.

The technology investments center on improving the performance of the Wholesale and Retail business platforms, especially in

the creation of services for clients. The idea is to offer increasingly speedy services to save time, as well as services increasingly customized to their needs, while remaining operationally safe. Thus, in 2011, the Bank plans to add a new business platform via the Web for the Wholesale segment business and to digitize the Retail credit granting process, turning it into a paperless operation. This will make providing services for stores faster, besides reducing costs for these clients and for the Bank itself.

As part of the policy of permanent improvement of the teams, all personnel that held positions starting at the level of coordinator were trained, in 2010, in the areas of leadership and management cycles. As for the credit teams, they were given more than 150 hours of training in credit analysis, business niches and case studies.

Regarding operational risks, the system was strengthened with the hiring of personnel and the allocation of representatives from the internal controls area in the Retail operations. Additionally, a team responsible for the internal validation of management models was established.

A new model for the Bank's control office is also being set up with the help of external

consulting. The processes and models of the management practices are to be reviewed, as well as the standards and the operating procedures, along with the modeling of management results.

With the help of this support in the areas of governance, technology, people and risk management, the Bank will be able to continue to pursue its growth model efficiently and profitably. In the medium term, the marks of this process will be synergy gains due to the acquisitions made over the last two years, operating improvements and greater commercial power.

COMMITMENTS

Banco Fibra aims to align its actions to the guidelines of the Global Compact, a United Nations (UN) initiative designed to mobilize companies worldwide to adopt ten principles that cover human rights, labor relations, the environment and combating corruption. In Brazil, 75% of the signatories are companies, 11% are non-governmental organizations,

8% are company associations and the remaining 6% are split between educational institutions, unions, the public sector and cities. (GRI 4.12)

By adhering to the Global Compact, the Bank has committed to the Millennium Objectives, which consist of 8 objectives, 18 targets and more than 40 indicators developed by the UN, all of which indicate how to reduce poverty and achieve the planet's sustainable

development by 2015. In Brazil, these objectives are known as the Eight Ways to Change the World, comprising the reduction of poverty, the fight against hunger, the reduction of child and mother mortality, the issue of gender, the reversal of the progress of Aids/HIV, and environmental sustainability.

GLOBAL COMPACT PRINCIPLES



HUMAN RIGHTS

PRINCIPLE 1 – BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS, AND...

PRINCIPLE 2 – ... MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES.

LABOR

PRINCIPLE 3 – BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING;

PRINCIPLE 4 – THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOR;

PRINCIPLE 5 – THE EFFECTIVE ABOLITION OF CHILD LABOR; AND

PRINCIPLE 6 – THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.

ENVIRONMENT

PRINCIPLE 7 – BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES;

PRINCIPLE 8 – UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY; AND

PRINCIPLE 9 – ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

ANTI-CORRUPTION

PRINCIPLE 10 – BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.

MILLENNIUM OBJECTIVES



COMMITMENT

To integrate these commitments into the business, Fibra aims to involve and establish a relationship with its various audiences: shareholders, clients, personnel, suppliers, government and society. It plays an active role in the following organizations:

Febraban (Brazilian Federation of Banks) –

Fibra representatives sit permanently on the following commissions: Accounting and Fiscal Issues; Taxation; Economics; Compliance; Internal Auditing; and Payroll-Deductible Loans.

ABBC (Brazilian Association of Banks) –

Fibra is on the following commissions: Wholesale banking; Retail banking; Compliance and Risk Management; Social and Environmental Responsibility; and Legal Issues. The Bank's Wholesale vice-president, Maércio Soncini, is deputy chair of ABBC.

Acrefi (National Association of Credit, Finance and Investment Institutions) –

The Retail vice-president, Márcio Ronconi, is deputy chair of the association. (GRI 4.13)

STRATEGIC AUDIENCES (GRI 4.14)

	DEC - 2010
DEPOSITORS	1,308
ACTIVE CLIENTS (WHOLESALE)	1,525
ACTIVE CLIENTS (RETAIL)	1,071,000
DIRECT EMPLOYEES	1,622

RELATIONSHIP ACTIVITIES (GRI 4.14)

INTERESTED PARTIES

ACTIVITIES AND COMMUNICATION CHANNELS

SHAREHOLDERS, INVESTORS

WEBSITE WITH ECONOMIC AND FINANCIAL INFORMATION
E-MAIL FOR COMMUNICATION WITH THE INVESTOR RELATIONS AREA
QUARTERLY AND ANNUAL MANAGEMENT REPORTS
ANNUAL REPORT
ANNOUNCEMENTS

CLIENTS

RELATIONSHIP EVENTS
PERIODIC VISITS TO CLIENTS
INTERNET

PERSONNEL

INFORMATION CHANNELS
INTRANET
CORPORATE CLIMATE RESEARCH
EVENTS WITH SENIOR MANAGEMENT

SUPPLIERS

INTERNET

COMMUNITIES

SPONSORSHIP OF CULTURAL EVENTS
RELEASE OF INFORMATION VIA THE PRESS OF INSTITUTIONAL PROJECTS

GOVERNMENT AND SOCIETY

PARTICIPATION IN SECTOR COMMITTEES AND FORUMS
BEING ACTIVE IN AND MAKING CONTRIBUTIONS TO ASSOCIATIONS AND INSTITUTIONS

CORPORATE GOVERNANCE

In line with its business management policy, which is guided by standards of excellence, there has been progress in management practices geared toward improving the Bank's levels of professionalization, transparency and administrative independence.

To ensure this, the internal auditing area has been strengthened, specifically as regards accounting entry procedures and the monitoring of the hedge and swap operations, by the creation, among other things, of a specific sub-committee to monitor these operations. Additionally, procedures were standardized and new controls were put in place for such operations.

Furthermore, an external consulting company has been hired to advise the Bank on how to set up a new model for the control function. The work includes reviewing management practices and processes in all financial areas, in order to standardize operating procedures and redefine the modeling of the calculation of managerial results.

In the set of management tools, the managerial accounting practices are now independent from the corporate

accounting practices, and the operational areas and the IT area have been segregated, a manager having been appointed solely to deal with internal controls, risks and compliance. The establishment of Human Resources, Foreign Exchange and Accounting committees has also been formalized.

GOVERNANCE STRUCTURE

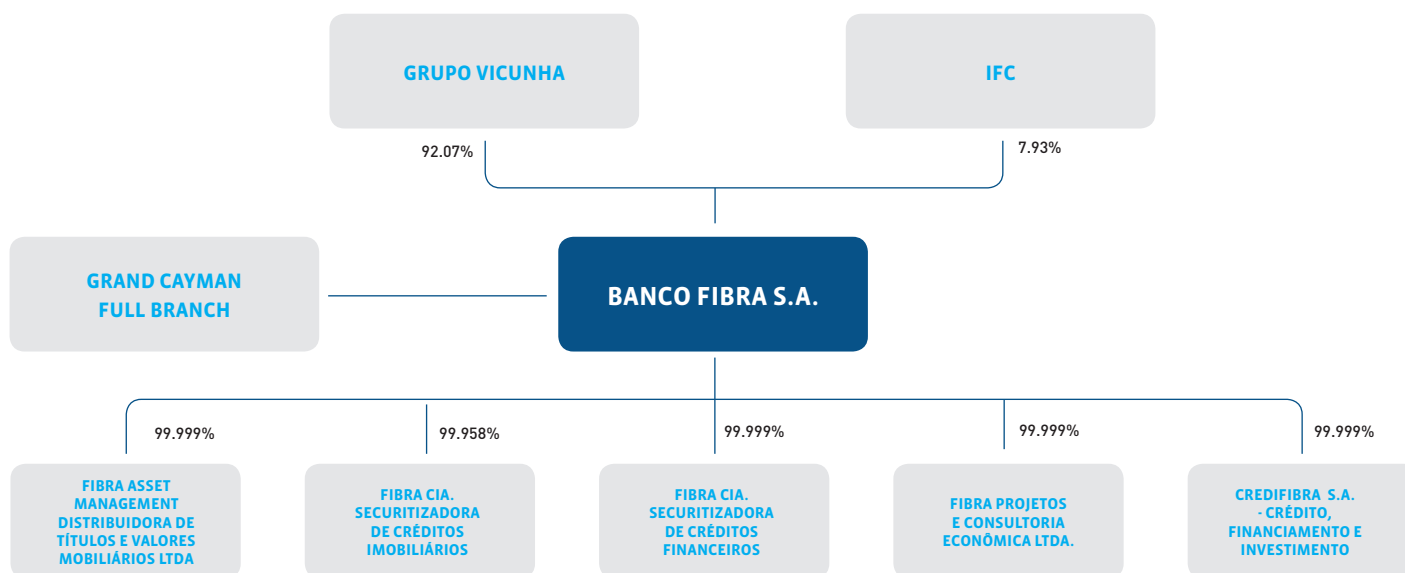
The Bank's governance comprises the General Annual Meeting of shareholders, the Board of Directors, the Executive Committee, the Executive Officers and the management support committees. [\(GRI 4.1\)](#)

Grupo Vicunha, the majority stakeholder, holds 92.1% of the Bank's capital and its partner is the International Finance Corporation (IFC), with 7.9% of the shares.

Grupo Vicunha is active in the textile, steel, power, agro-industry and real estate sectors. Its main investments are Vicunha Têxtil (textiles) and Companhia Siderúrgica Nacional (CSN), both of which are leading enterprises in their respective markets.

IFC was established in 1956, as a unit of the World Bank designed to promote the projects of its developing member countries, by means of incentives to private-sector firms with sustainable financial returns and economic and social activities.

Based on the shareholders' agreement, IFC may veto certain issues, such as operations that involve consolidations, spin-offs, mergers or any corporate reorganization or change in the nature of the business. The agreement also establishes the rules for the election of the members of the Board of Directors, guaranteeing that an IFC representative sits on the board.



BOARD OF DIRECTORS

The Board of Directors is a collegiate deliberation body elected by the shareholders' Annual General Meeting. It is comprised of seven members, three of whom represent the main stakeholder, one of whom is appointed by IFC, and three of whom are independent directors. The concept of independent director complies with the regulations of the Novo Mercado (New Market) of the São Paulo Stock Exchange (BM&FBovespa), which determines, among other aspects, having no link with the Company other than shareholdings lower than 5% of the capital. (GRI 4.3)

The Board is in charge of determining the general and commercial strategic policies. Its duties include electing, providing guidance for and managing the work of the executives. It normally meets at least once a quarter or,

exceptionally, whenever its chair calls a meeting. In 2010, 13 meetings were held.

Every member has a two-year term and reelection is permitted. There are five men and two women on the board, all of them white, one of whom is aged between 40 and 50, all the others being over 50. The Board members earn no additional remuneration if they are removed from their position and are not subject to mandatory retirement due to age. The chair of the Board holds no executive function in the Bank. (GRI 4.2) There are ties among some Board members, Ricardo Steinbruch being the brother of Elisabeth Steinbruch Schwarz; both are cousins of Clarice Steinbruch.

The Board meetings are the forum for shareholders to voice their views on how business is progressing and to present recommendations regarding eventual measures to be adopted, as in the ordinary or extraordinary

general meetings. Executives and other employees of the Bank can resort, for recommendations, to the Board's advisory committees. (GRI 4.4)

The CVs of the Board members can be consulted at www.bancofibra.com.br/ri/

EXECUTIVE COMMITTEE

It is responsible for aligning the strategic directions of the Bank and for monitoring its results. Instituted in August of 2007, it is comprised of the chair of the Board of Directors, the CEO, the Wholesale Business, Retail Business and Corporate executive vice-presidents, and the executive officer of the Treasury. It meets every week.

EXECUTIVE BOARD

The executive officers are elected by the Board of Directors for a two-year term, with the possibility of being reelected. They are the Bank's legal representatives and are in charge of the day-to-day management of the business and of carrying out the policies and general guidelines established by the Board of Directors. At the end of 2010, the executive board comprised one chief executive officer, three vice-presidents and four officers, six of whom were men and two of whom were women, all of them white. Six are aged 40 to 50 and two are over 50. (GRI LA13)

All of the executives are professionals with experience in the financial sector and none of them has any family ties with the Board members or shareholders. Management remuneration amounted to R\$ 7,027 thousand in 2010, 88% of which consisted of fixed salaries while 12% comprised the variable portion, tied to results. (GRI 4.5)

The CVs of the members of the executive board can be consulted at www.bancofibra.com.br/ri/

INTERNAL AUDITING

Its activity is independent and objective. It provides an evaluation and consulting service with a view to adding value to the conglomerate. Auditing helps the organization to reach its objectives, by adopting a systematic approach to evaluation and to improving the efficacy of the processes of risk management, control, and corporate governance and information security.

SUPPORTING COMMITTEES

The Board of Directors and the Executive Board have the support of several committees, which help to discuss issues in greater depth, as well as helping to evaluate strategic themes for the business and in respect of security decisions. They are comprised of vice-presidents, executive officers and managers of the organization's different areas and they meet from time to time. At the end of 2010, the following committees, among others, were active:

Audit Committee – It fulfills the regulation requirements and governance practices.

Internal Controls Committee – Its purpose is to discuss and point out themes connected with risks, finance and internal controls. It reports to the Board of Directors and its full members are the independent directors Luiz Nelson Guedes de Carvalho, José Antonio Miguel Neto and Ricardo Caldeira, the IFC representative.

Credit Committee – Middle, Corporate and Financial Institutions – It analyses proposals and credit operations, and monitors abnormal credit situations and the evolution of client's ratings. Its activities are split between three committees (Credit, Credit Restructuring and Rating) and one subcommittee, besides a monitoring group.

Alco – Asset & Liabilities Committee – It is responsible for updating the movements of the credit portfolio as well as for funding and liquidity, besides analyzing the structure of assets and liabilities and the gaps in maturities.

Market Risk Committee – It discusses the short-term strategies using as its reference the potential macroeconomic scenarios, the adjustment of the portfolio's risk metrics to the established limits, and the inclusion of positions in the trading portfolio. It also conducts the operational strategic evaluation of the Treasury, and decides, via extraordinary meetings, on the maintenance or not of the Bank's positions if limits are exceeded.

Ombudsmanship Committee – Its purpose is to discuss internal controls and processes, besides best practices for the Ombudsperson's Office.

Credit Risk Committee – It evaluates the evolution of the credit portfolio, and monitors limits (past due or exceeded), exposure and concentration risks (of groups and sectors), exceptional situations, simulation of scenarios, and default.

Global Risks Committee – It monitors the main points of credit risk, market, liquidity, operating and compliance elements, and the prevention of money laundering, besides the Basel index.

Accounting Committee – It discusses and analyzes the best accounting practices in the market in relation to local and international standards.

Prevention of Money Laundering, Internal Control and Operating Risks Committee – It is responsible for assessing occurrences that seem atypical. It communicates them to the appropriate authorities when it concludes that a crime or illicit act has occurred or finds indications of one having been committed.

Ethics Committee – It fosters an ethical culture at the Bank. This involves approving policies related to this issue and deliberating on personal and professional conduct issues, in order to establish a healthy work environment. It meets only on an extraordinary basis, as necessary.

Technology Committee – It discusses and evaluates technological solutions with high potential impact for the Bank. It also analyzes, approves and prioritizes new information technology projects.

Security and Information Privacy Committee – Its purpose is to provide guidance and support for privacy and information security initiatives.

Suitability Committee – A cross-discipline committee in charge of assessing and approving situations that have not been foreseen in the Suitability Policy (suitability of the operation to the client's profile).

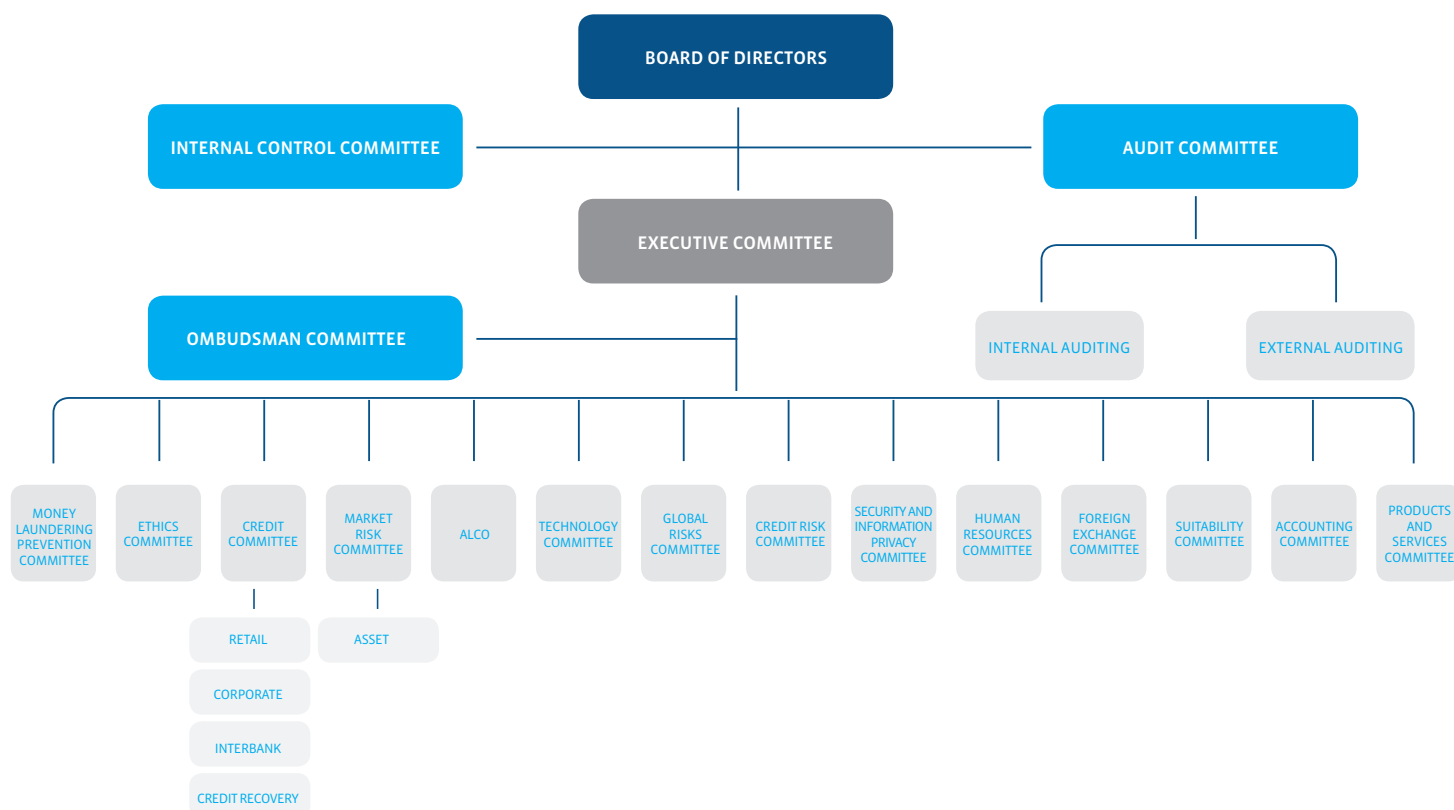
Market Risk / Assets Committee – It discusses the fit of the risk metrics of the portfolio to the regulatory limits and the limits approved by investors. The committee is also responsible for approving or not, via an extraordinary meeting, proposals to adjust positions in the event that limits are exceeded.

Human Resources Committee – Determines and monitors corporate and strategic actions regarding best Human Relations practices.

Foreign Exchange Committee – It approves the foreign exchange (Câmbio Pronto) operations, as well as the limits for renewal or exceeded limits, and determines a limit for the monitoring of each type of operation proposed.

Product and Services Committee – Presents and approves new products and services as well as defines the conditions to initiate their offering to clients.

Besides the aforementioned committees, CREDIFIBRA has others that make decisions pertaining only to that firm. More information on committees is available at www.bancofibra.com.br/ri/



ETHICAL BEHAVIOR (GRI 4.8)

The Code of Ethics and Conduct sets directives that the Bank's personnel and its service providers should comply with. These directives provide guidance for professional activity, to ensure that high ethical standards are met. They also reflect Fibra's cultural identity and its commitments in the markets in which it operates.

The general rules of conduct determined in the Code cover partnering relations with clients, banking confidentiality practices, basic consumer rights, statements to the press, information security procedures, ethical behavior, and conflicts of interest. It also establishes that smoking is prohibited in the Bank's premises, as well as drugs and sexual and moral harassment, and promotes the safety and protection of the environment and of the institution's assets. It is up to the Ethics Committee to manage the Code and its dissemination, updating and application, as well as to evaluate and deliberate on breaches of rules.

BASIC PRINCIPLES

Company objectives and ethical principles – In order to advance financially and socially, consolidating itself while also building a path of integrity within society and, specifically, in regard to those groups with which it maintains a direct relationship, the Bank must be based on precise ethical principles and corporate objectives, which should be shared by its personnel at all hierarchical levels, as well as by its suppliers of services.

Reputation – Its company activities invariably aim at ongoing development, high performance and, above all, client satisfaction. Among the Bank's chief objectives is its reputation as a sound and reliable enterprise that is aware of its social and corporate responsibilities and that strives to achieve results honestly, fairly, legally and transparently.

Integrity, confidence and loyalty – The activities of the Bank's personnel must be underscored by these characteristics, as well as by respect for and acknowledgement of the value of human beings, in terms of their privacy, individuality and dignity.

Repudiation of prejudice – All attitudes based on prejudice concerning origin, ethnicity, religion, social class, gender, color, age, and physical limitations are repudiated, as well as any other forms of discrimination.

Responsibility – Corporate and social responsibility is of crucial importance. The Bank is committed to the communities in which it is active. This responsibility is fully exercised when one engages in activities that further the country's development.

Values – The Bank's management, employees and providers of services must be committed to upholding its values and image, to maintaining a posture that is compatible with these values, and to acting in the defense of the interests of their clients. Pursuit of the Bank's development must be guided by these principles, with the assurance that all actions will be aligned with ethical standards and with strict regard to legality.

RISK MANAGEMENT

As part of the process of consolidating a risk mitigation culture, different measures were implemented in 2010 to improve the structure and the management procedures, including developing proprietary risk management models, adapting to Central Bank requirements, adopting new credit risk management practices and using methods and systems that enable analyzing portfolios by type of risk.

The Bank is involved with the constant improvement of its measuring models and of its risk management processes. Its objective is not only to meet the requirements of Central Bank norms regarding the release of information on management and on the adjustment of capital to risk exposure, but also to undertake refined capital allocation practices for the coverage of operations, to align itself with good market practices and to guarantee that the institution's risk is suitably monitored and controlled.

MARKET RISK

By investing in the expansion of its structure, in the implementation of systems and in the improvement of its internal controls, the Market Risk area aims to continuously improve risk controls.

The changes during this period include segregating the assessment of the risk of the Trading Portfolio (frequent and active trading) and of the Banking Portfolio (non-trading), adopting a more conservative confidence interval (up to 99% from 97.5%), refining the stress scenarios used in simulations, and improving processes and documentation on an ongoing basis.

Thus, a new methodology, EVE (Economic Value of Equity), was implemented to assess the risk of the Banking portfolio. It allows one to measure risk by means of the impact upon the present value of the portfolio, taking into account shocks to fixed interest rates for a 10-workday period. These shocks are taken from the worst cases among

the historical situations prepared by the risk area and the prospective scenarios prepared by the Economic Research area. The EVE methodology is used because the Banking portfolio transactions are different from those of the Trading portfolio and require different controls.

For the V@R (Value at Risk) controls used (Trading Portfolio and Options Book), a conservative confidence interval (99%) has been adopted, in keeping with the recommendations of the Central Bank and with the market's best practices.

As for improving documentation and processes, during 2010, new criteria were incorporated into the control and classification of the derivative financial instruments used in hedging structures. The manuals on marking to market and risk methodologies were also improved, as well as the operational manuals.

Through its Risk Control area, the Bank aims to anticipate itself to the new requirements of the Basel Accord – Level 3, which determines

RS THOUSAND	DEC 31, 2010	DEC 31, 2009	DEC 31, 2008
SHARES/IBOVESPA	0	190.3	5,847.4
FIXED INTEREST RATE	5,326.6	908.1	3,949.9
FOREIGN EXCHANGE VARIATION	389.7	488.3	3,730.8
SELIC/IPCA PRICE INDEX	57.8	11.7	12
OTHERS	10.7	144.6	772.9
DIVERSIFICATION EFFECT	-1,449.5	-555.6	-5,142.8
OVERALL GLOBAL VAR	4,335.3	1,187.4	9,170.2

new capitalization requirements for financial institutions. Thus, constant analyses are presented in committees and simulations are carried out with a view to foretelling their potential effects upon the institution's capital.

One of the Bank's focuses in 2011 is to improve the Liquidity Risk controls, by implementing new controls and complementing the current documentation. There is also a plan to adjust the market risk controls and documentation, with a view to becoming a possible candidate for internal capital allocation models.

On December 31, 2010, the value at risk (V@R) of the Total portfolio, considering a 99% confidence interval, stood at R\$4.3 million. The V@R of the Trading portfolio on the same date and with the same confidence interval was R\$1.1 million. On December 31 of the previous year, the amount (V@R of the Total portfolio) amounted to R\$1.2 million, with a confidence interval of 97.5%. At the end of 2010, value at risk was equal to 0.5% of the Bank's net shareholders' equity.

LIQUIDITY RISK

The liquidity risk is managed as a subdivision of the market risk management area, its priority being to keep the Bank's assets and liabilities under control. Three main tools are used:

Cash control – Cash is monitored daily to ensure its level is suitable to meet the needs of the credit operations contracted with the clients, at a volume level determined by Alco (the Assets and Liabilities Committee).

Liquidity control – The flow of maturities of the assets and liabilities portfolios is tracked daily by Alco, to ensure that the capital level is appropriate and in keeping with the conditions of the market. At the end of 2010, the Bank's cash-objective was R\$1 billion.

Contingency plan – If an eventual liquidity risk is identified on the basis of predetermined parameters, a plan is activated that establishes actions and measures to be taken to overcome the possible scarcity of resources and the deepening of financial market crises. This plan

includes the following alternatives:

a) obtaining external funding (via the strategic foreign shareholder); b) credit assignments; c) guarantees and sureties; d) obtaining resources from other companies belonging to the controlling stakeholder; e) reducing or suspending the granting of credit, until control of liquidity is re-established; and f) sale of the corporate bonds portfolio.

CREDIT RISK

In 2010, Banco Fibra adjusted itself to the requirements of Resolution 3.721 of the Central Bank. This covers a number of provisions on the setting up of a credit risk management structure at financial institutions. The bank had already been complying with some of these provisions. The measures, which are part of the Basel 2 Accord, include creating units that are independent from the credit granting areas, appointing a dedicated director, annual public release of the structure adopted, and holding the Board of Directors accountable for this matter.

Besides the work of the specific credit committees and of the subcommittees, the management processes of this risk at the Bank differ depending on the line of business and the profile of the clients.

For companies requesting credit, the evaluations consider their capacity to generate cash and to honor their commitments. The Bank requires guarantees and it visits these enterprises. These analyses are submitted to the credit committees and decisions are made based on decision levels (further information under Corporate Governance – Support Committees).

For individuals requesting credit, who are served by the Retail area, most of the operations are approved automatically, via a process conducted online with the support of a proprietary credit analysis model. Requests for loans are assessed using several screeners (historical statistical information, credit policies, score tools, and fraud prevention tools), that are able to evaluate the risks by region, segment and point-of-sale.

OPERATIONAL RISK

Operational Risk management falls under the responsibility of the Internal Controls and Compliance area. This comprises a team that coordinates the management of operational risk and that is responsible for measures capable of mitigating risks that are due to failures, deficiencies and inappropriateness of processes, systems or people, using tools, procedures and controls to coordinate its activities, with the support of the Compliance Agents of the different areas. The projects planned for 2011 include strengthening policies, increasing the dissemination of the themes related with Operational Risk, and developing improvements in the process of identifying the losses that are due to this risk.

COMPLIANCE

The Compliance area has been broken down into five subdivisions: Preventing Money Laundering, Operational Risks, Internal Controls, Internal Validation, and Projects and Programs of Compliance Agents.

In the Preventing Money Laundering area, new tracking activities and work tools have been introduced. Additionally, the team has been strengthened by hiring more personnel. The focus is understanding the client and monitoring client operations once they start doing business with the Bank. In 2010, 95% of Bank personnel and 76% of CREDIFIBRA staff attended Preventing Money Laundering training. For 2011, management systems improvements and Preventing Money Laundering training have been planned for all the personnel.

The Internal Controls area is responsible for providing the information that the Central Bank requests about Banco Fibra, which enables the systematic monitoring of the issues and questions that are of interest to that regulating body. In 2011, improvements will be put in place to consolidate the control practices and all personnel will be trained as part of the process of development of a risk-management culture.

The Internal Validation area was created to validate the internal risk-management models, as the Bank has chosen to enroll for the use of proprietary models. To have this, it is necessary that the risk management models be submitted to internal auditing and validation, as per Central Bank requirements. In December, the area completed one year of activity. In this initial stage, it focused

mainly on evaluating Market Risk management models, ensuring the correct implementation of Central Bank risk management standards for financial institutions, and calculating the Bank's capital (Basel). The auditing company Ernst&Young, which has supported large Brazilian Banks in their candidacy projects, is currently supporting Fibra in its application for the use of proprietary market risk models. The next project to be implemented by the Internal Validation team will be the internal credit risk model.

ANTICORRUPTION TRAINING (GRI 503) ⁽¹⁾

	EMPLOYEES BY FUNCTION	NUMBER OF PARTICIPANTS	% PARTICIPANTS
BANK			
TOTAL EMPLOYEES ⁽²⁾	529	502	94.9 %
MANAGERS	119	113	95.0 %
NON MANAGERS	410	389	94.9 %
CREDIFIBRA			
TOTAL EMPLOYEES ⁽²⁾	1,021	772	75.6%
MANAGERS	170	140	82.4%
NON MANAGERS	851	632	74.3%

(1) TRAINING IN MONEY LAUNDERING PREVENTION

(2) INCLUDES TRAINEES



3.

BUSINESS PERFORMANCE

OPERATING PERFORMANCE

Fibra's 2010 growth was driven by three main factors: the expansion of its commercial operations via acquisitions and the opening of new branches; the recovery of the economy; and the growth of consumption in the domestic market.

The Bank grew in terms of number of clients (22% more in Retail and 30% more in Wholesale) and credit (43% above the previous year). It also improved its coverage in the regions in which it was already active, renovated products and improved policies in order to raise the quality of its credit portfolio and offer its clients speedier services, without forfeiting security.

WHOLESALE/COMPANIES

The Wholesale business operations focus on local currency loans for working capital and on structured loans to meet specific client needs. Operations involving on-lending of funds provided by BNDES (the National Bank for Social and Economic Development) were maintained as part of the business policy context, as they are a relevant relationship tool that furthers client loyalty.

The business portfolio also comprises trade finance operations, which enable the Bank to take part in the exporters market, and they are a complementary product for those firms that take out local loans. Guarantees are also a complementary product for clients, including for low risk-large corporations.

BASKETRY IS THE ANCIENT ART OF WEAVING FIBERS

With skilled hands, artisans transform fibers into baskets, mats, bags, hats and carpets. An art created by the Indians, it uses a variety of materials, such as straw, rattan, reeds, lianas and cane, among others. This type of handicraft is found in several regions of Brazil, particularly in the State of Mato Grosso.

At the close of 2010, the Wholesale infrastructure had 20 branches spread throughout Brazil's main markets, reflecting a four-unit growth vs. 2009. Thanks to this expansion, the Bank now covers a significant portion of inner-state São Paulo, having included the city of São José do Rio Preto in its area of operations. In the Southeast Region, the Bank also opened a commercial platform in the town of Uberlândia. In the South, it expanded its presence to the towns of Caxias do Sul (Rio Grande do Sul state) and Cascavel (Paraná state).

In line with its strategy of strong asset sourcing growth and the diversification of its client base, the number of active

clients (with actual transactions in the month) grew 30% to 1,525 companies in the 12 months ended in December 2010.

Along with geographic expansion, the Bank hired more personnel experienced in the main sectors of the economy and the middle market to strengthen and provide support for the commercial managers.

As an initiative complementing the commercial operations, economic presentations were held in the cities in which Fibra is active. The talks are delivered by journalists from the economic area or by renowned economists. In 2010, eleven cities were covered from June to November, with

WHOLESALE NETWORK

2009

16 UNITS

SOUTH

PORTO ALEGRE,
FLORIANÓPOLIS, CURITIBA,
LONDRINA

SOUTHEAST

SÃO PAULO, GUARULHOS,
RIBEIRÃO PRETO, CAMPINAS,
SÃO BERNARDO DO CAMPO,
BELO HORIZONTE, RIO DE
JANEIRO

NORTHEAST

RECIFE, SALVADOR, FORTALEZA

MID-WEST

GOIÂNIA, CUIABÁ

2010

20 UNITS

SOUTH

PORTO ALEGRE,
FLORIANÓPOLIS, CURITIBA,
LONDRINA
+ CAXIAS DO SUL, CASCAVEL

SOUTHEAST

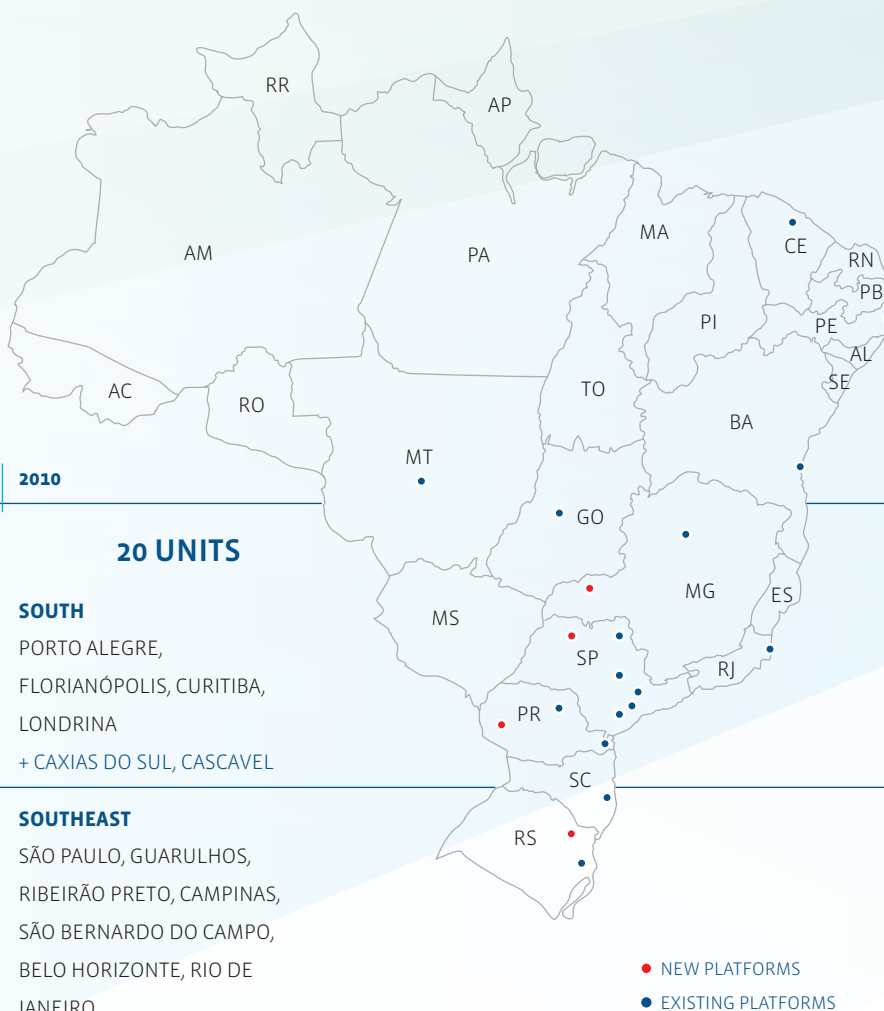
SÃO PAULO, GUARULHOS,
RIBEIRÃO PRETO, CAMPINAS,
SÃO BERNARDO DO CAMPO,
BELO HORIZONTE, RIO DE
JANEIRO
+ SÃO JOSÉ DO RIO PRETO,
UBERLÂNDIA

NORTHEAST

RECIFE, SALVADOR, FORTALEZA

MID-WEST

GOIÂNIA, CUIABÁ



an average attendance of 60 to 70 clients per event.

An important cornerstone of the commercial operations is technology. The development of an internet banking business platform was initiated and is due to be concluded in 2011. This will enable clients to conduct transactions remotely. Fibra is also investing in a system of virtual business platforms that consists of equipping account managers with technological resources that allow the mobile servicing of clients in the regions in which the Bank is active but has no physical facilities. Two pilot tests were conducted in 2010 from the cities of São José do Rio Preto and Ribeirão Preto, to prepare the roll-out of the project in 2011.

In line with the objective of strengthening the commercial activities, including market segmentation, specialization in the middle market and expansion of the agribusiness operations, the technology investments centered on offering solutions for clients and providing support for the sales force.

PRODUCTS

As part of this objective, various products have been renovated, of which the following stand out:

Company checks – This product's clients had their rating reassessed; the portfolio was then distributed by risk levels, with different interest rates. Additionally, credit approval levels were created for the different functional levels (managers, superintendents and executive officers), which made the process speedier. As a result, granting of limits grew by 80%.

Anticipation of the 13th salary – The Bank pioneered offering this line of credit in August, with a six-month grace period for repayment. The initiative had positive results, R\$ 155 million having been disbursed, reflecting 58% growth vs. 2009.

Long-term working capital – This line of credit was reformulated, payment terms were extended with more competitive interest rates. The client now has a six-month grace period and 18 months for repayment, with more advantageous conditions than those found in the market. The loans granted via this line amounted to R\$ 346 million.

Among the achievements of 2010, the Bank attained a record R\$ 424 million of BNDES funding releases. Fibra also became authorized to on-lend resources of Funcafé (the Defense Fund for Coffee-Related Economic Activities), a total of R\$ 46 million having been disbursed in loans over the year.

Derivatives – The Bank strengthened its structure in order to offer a wide range of hedge products to clients, allowing them to hire protection to foreign exchange, interest rates and commodity pricing risks, among others.

Trade finance – Fibra also strengthened its trade finance operations by offering new structured products that best serve client's needs.

OUTLOOK

Operations in 2011 will be strengthened thanks to the introduction of internet banking and of the New Collections system, the marketing of the Electronic Vendor product (sales finance), and operations with receivables backed by

Redecard card transactions. There will also be an expansion of the virtual platforms, and the improvement of the PAG Fibra (fees) product and of the agribusiness credit management policies by segment and product. Additionally, the granting of credit via Discounted Papers should also be introduced, with and without recourse.

RETAIL

In 2010, a cycle of acquisitions-based growth initiated in 2006 was completed. Among the outstanding activities was the setting up of CREDIFIBRA, a finance enterprise that now centralizes all operations with individuals: consumer finance, payroll- and pension-deductible loans, vehicle financing and cards, previously handled by GVI Promotora de Vendas and Serviços. The year's acquisitions involved Sofcred Promotora (the Banco Sofisa enterprise that managed its payroll-deductible loans and vehicle financing operations) and Validata, a credit card issuer, processor and acquirer.

As part of this consolidating movement, the operating systems and processes of Paulicred (acquired in 2009) and of Sofcred (acquired in 2010) were integrated. Validata, acquired in October, is the finance company's sole wholly owned subsidiary. This operation adds to CREDIFIBRA the business of processing private label cards (issued by stores), which consists of about one thousand active points of capture at regional retailers' stores, 110 thousand issued

and unblocked cards, and a credit portfolio of R\$ 24 million. The operation also involved acquiring the Validata brand, which allows the bearers of its cards to purchase at any store within the Validata network.

The integration of the Paulicred and Sofcred operations also resulted in unifying their branch offices, which have now been entirely incorporated into CREDIFIBRA. There are 26 offices in operation, 9 further points of service having been opened in 2010. Additionally, the company benefits from 16 thousand points-of-sale, including retailers, dealers and correspondents. By the end of the year, it had reached 1.1 million active clients, 22% above the December 2009 figure.

GROWTH

Retail production increased 127% in 2010 vs. 2009. The vehicles segment stood out. At the end of 2010, the total vehicle-financing portfolio exceeded the R\$ 1 billion mark. In addition to organic growth and acquisitions, this performance was influenced by improved processes,

the specialization of the teams and investments in technology, all of which enabled, for instance, cutting the time it took to serve clients and grant credit in the vehicle-financing segment.

The upgrading of the credit operations has allowed the bank to improve the quality of the services it renders to its client stores, especially of service deadlines. By the end

RETAIL NETWORK

2009

17 OFFICES

SOUTH

PORTO ALEGRE, SÃO JOSÉ,
JOINVILLE, CURITIBA

SOUTHEAST

SÃO PAULO, CAMPINAS,
RIBEIRÃO PRETO, SÃO JOSÉ
DO RIO PRETO, SANTANA DE
PARNAÍBA, BELO HORIZONTE,
JUIZ DE FORA, UBERLÂNDIA,
RIO DE JANEIRO

MID-WEST

GOIÂNIA, BRASÍLIA

NORTHEAST

RECIFE, SALVADOR

NORTH

2010

26 OFFICES

SOUTH

PORTO ALEGRE, SÃO JOSÉ,
JOINVILLE, CURITIBA
+ CAXIAS DO SUL AND MARINGÁ

SOUTHEAST

SÃO PAULO, CAMPINAS, RIBEIRÃO PRETO,
SÃO JOSÉ DO RIO PRETO, SANTANA DO
PARNAÍBA, BELO HORIZONTE, JUIZ DE
FORA, UBERLÂNDIA, RIO DE JANEIRO
+ BAURU, SÃO JOSÉ DOS CAMPOS
AND VITÓRIA

MID-WEST

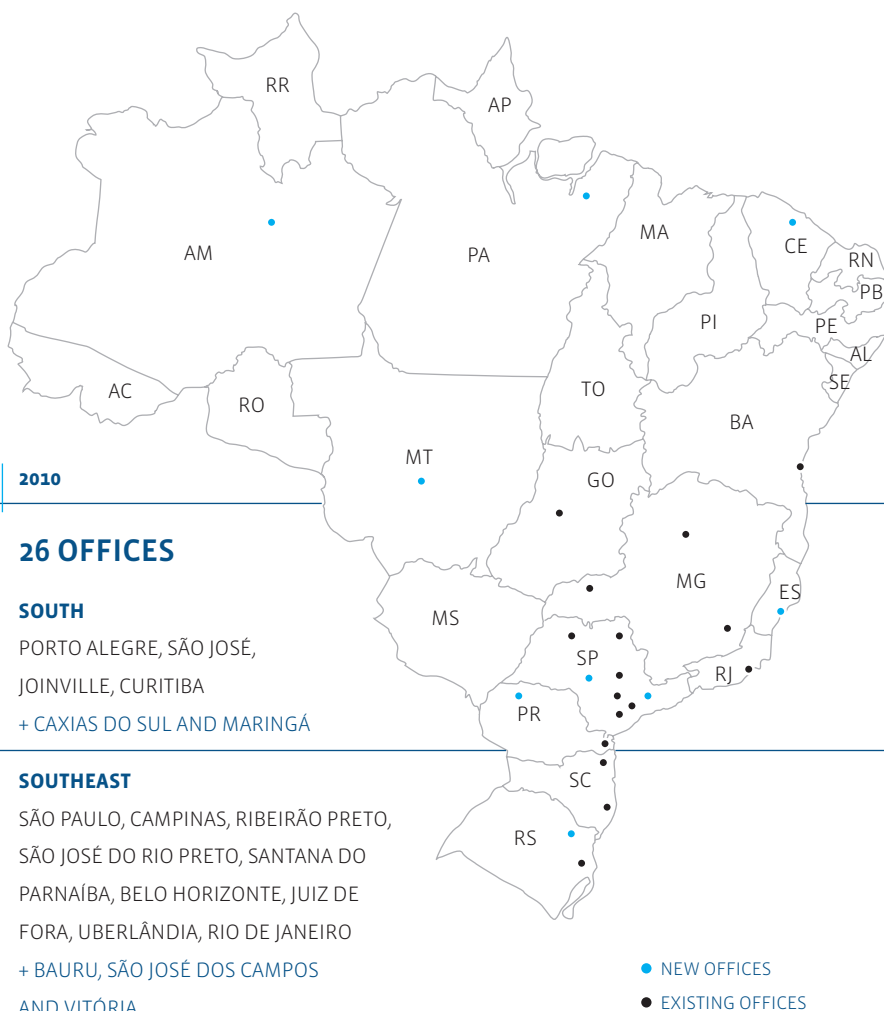
GOIÂNIA, BRASÍLIA
+ CUIABÁ

NORTHEAST

RECIFE, SALVADOR
+ FORTALEZA

NORTH

+ BELÉM AND MANAUS



of 2010, it took only five second to provide answers for 60% of the consumer loan operations, meaning that stores can offer services with higher standards.

As part of the commitment to high standard services, in December, the first pilot test was implemented for the digitization of the consumer loan approval process. Called DigitalCred, the initiative, in 2011, is expected to structure the operation with a system linked to a biometric signature, so as to eliminate most of the paperwork normally employed in such transactions and to provide faster payment to stores. This measure will reduce costs for stores and for the Bank itself, besides reducing the volume of printed paper and avoiding environmental waste.

SERVICE

In the context of client relations, building loyalty occurs by getting them to try services. Thus, four client services areas are maintained, which provide support for the commercial operations. One of them focuses on serving consumers; another, the stores; the third, the CREDIFIBRA teams themselves, to clarify doubts about operations; and the fourth one is the ombudsperson's office, whose duty is to solve issues that went unresolved in the other channels. Furthermore, CREDIFIBRA maintains a website (www.credifibra.com.br) to which related parties may address their queries, which are then redirected to the appropriate area. There is also a post-sales service that, through calls and SMS, conducts satisfaction research and clarifies eventual doubts.

OUTLOOK

In 2011, a self-service system will be implemented for stores, consumers, suppliers and CREDIFIBRA teams. They will be able to submit requests, solve pending issues and consult the progress of operating processes via the internet or by phone. With this model, the Bank aims to streamline procedures, improve the control of operations, cut the time it takes to answer requests, reduce costs and ensure the competitiveness of its Retail business. The new service system will be available in connection with direct consumer credit, including also structured consumer credit, vehicle financing, payroll- and pension-deductible loans, and cards.

CREDIFIBRA OPERATIONS	2009	2010	(%)
PRODUCTION (R\$ MILLION)			
CONSUMER CREDIT	916	1,447	58%
VEHICLES	88	991	1,026%
PAYROLL	225	321	43%
CARDS	0.3	28	9,233%
TOTAL	1,229	2,787	127%
PORTFOLIO (R\$ MILLION)			
CONSUMER CREDIT	507	627	24%
VEHICLES	369	1,358	268%
PAYROLL	330	500	52%
CARDS	0.1	26	25,900%
TOTAL	1,206	2,511	108%

Concerning direct consumer credit, the Bank plans to invest in services and innovation to strengthen its relationship with partner stores as an outstanding provider of sales solutions. Concerning payroll- and pension-deductible loans, Fibra plans to maintain its current R\$ 500 million portfolio and to make the most of it in profitability terms. Concerning vehicles, the Bank will focus on financing semi-new and used vehicles no more than 10 years old. The teams are to be expanded and investments made in improving operating processes and technology, in order to increase the Bank's share of this segment.

As for cards, specifically in the private label niche, a new product is to be introduced to client stores, to complement credit and expand the offerings of means of payment.

FUNDING

The funding strategy is based on increasing the client base, extending the payment terms of the bank's debts and reducing the percentage of operations with daily liquidity. Based on these guidelines, Fibra achieved positive results in 2010. Total funding reached R\$ 8.3 billion, up 31% over the 2009 figure. Of the total amount, 76% was obtained in the domestic market.

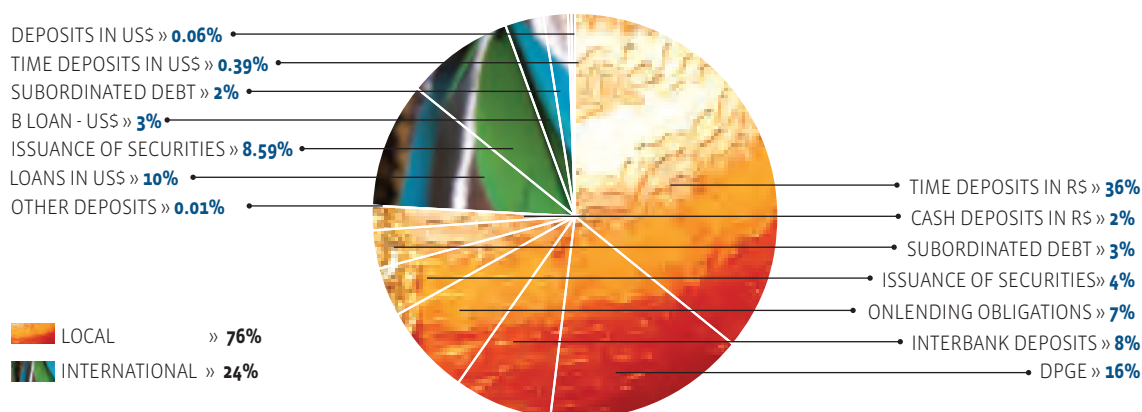
Local funding – The Bank's geographic expansion helped to increase local funding, carried out via Term Deposits (CDBs) and Agribusiness Letters of Credit (LCAs). Growth reached 44% vs. 2009. Term deposits grew 49%, to R\$ 4.3 billion, with one of the lowest ratios in the domestic market of deposits with daily liquidity (3.3%).

Foreign funding – The strategy for raising funds abroad was based on maintaining the same volumes as in 2009, to meet obligations denominated in foreign currencies undertaken in previous operations of funding generation. They amounted to R\$ 2.0 billion in 2010 and their aim was to support asset growth and to improve the Basel index, which reflects the ratio between the institution's capital and the value of its risk weighted assets. In April, the bank raised US\$ 200 million via Eurobonds with a three-year term. In July, another US\$ 135 million were obtained from the International Finance Corporation (IFC) and an 11-bank syndicate, via a A/B loan. Furthermore, US\$ 25 million in subordinate funding with a six-year term was provided by DEG, the German development bank.

TREASURY

2010 was a year dedicated to structuring the Client Desk area. Specialized personnel were hired and the Treasury products were incorporated into a single platform, in order to operate as a unit of the commercial area for specific treasury and foreign exchange products. This should improve the efficiency of pricing and the speed at which quotations are provided, freeing up the time of the commercial managers, while the Client Desk will also offer specialized support for the product, preparing presentations, suggesting operations and accompanying the commercial manager on visits to clients. Thus, the Bank can take advantage of market opportunities and volatilities, by working proactively with the available credit limits.

DIVERSIFIED FUNDING



FUNDING - BREAKDOWN BY PRODUCT

RS (million)

	DEC-10	DEC-09	VAR.
TIME DEPOSITS	4,338,326	2,919,163	49%
INTERBANK DEPOSITS	681,141	580,876	17%
DEMAND DEPOSITS	169,221	130,547	30%
BNDES ONLENDINGS	564,416	324,596	74%
SUBORDINATED DEBT	394,634	399,482	-1%
SECURITIES ISSUANCE	1,020,928	803,333	27%
FOREIGN LOANS	1,097,889	1,155,695	-5%
TOTAL	8,266,555	6,313,692	31%

FUNDING - BREAKDOWN BY TENOR

RS (million)

	DEC-10	DEC-09	VAR.
UP TO 90 DAYS	2,338,148	2,131,802	10%
FROM 91 TO 180 DAYS	1,899,119	1,066,251	78%
FROM 181 TO 360 DAYS	1,394,987	956,154	46%
OVER 360 DAYS	2,634,301	2,159,485	22%
TOTAL	8,266,555	6,313,692	31%

FUNDING BY TYPE OF CLIENT*



SECURITIES ISSUED ABROAD

	MATURITY DATE	DATE OF ISSUE	PRINCIPAL	ARRANGING BANK
EUROBONDS	JUN/11	JUN/08	US\$ 150 MILLION	STANDARD/SANTANDER
	APR/13	APR/10	US\$ 200 MILLION	BNP/BES/HSBC

OTHER INTERNATIONAL FUNDING

OPERATION	MATURITY DATE	DATE OF ISSUE	PRINCIPAL	ARRANGING BANK
SUBORDINATED DEBT ⁽⁴⁾	MAR/11	MAR/06	US\$ 30 MILLION	UNIBANCO
B LOAN	AUG/11	AUG/08	US\$ 42.5 MILLION	IFC AND ITAÚ BBA
B LOAN	JUL/12	JUL/10	€ 20 MILLION	IFC
B LOAN	JUL/12	JUL/10	US\$ 96 MILLION	IFC
A LOAN	OCT/12	OCT/07	R\$ 74 MILLION ⁽¹⁾	IFC
BILATERAL LOAN	SEP/13	SEP/08	US\$ 20 MILLION	WACHOVIA/OPIC
A LOAN	JUL/14	JUL/10	US\$ 15 MILLION	IFC
A LOAN	JUL/14	JUL/07	R\$ 55.9 MILLION ⁽²⁾	IFC
SUBORDINATED DEBT	MAR/16	MAR/10	US\$ 25 MILLION	DEG
SUBORDINATED DEBT ⁽³⁾	NOV/16	NOV/09	US\$ 110 MILLION	GOLDMAN SACHS
BILATERAL LOAN	JUN/19	DEC/09	US\$ 30 MILLION	PROPARCO

(1) EQUAL TO US\$ 40 MILLION (2) EQUAL TO US\$ 30 MILLION (3) ISSUED UNDER THE EMTN PROGRAM (4) PAID IN MARCH, 2011

FUNDING IN R\$

OPERATION	MATURITY DATE	DATE OF ISSUE	PRINCIPAL	ARRANGING BANK
SUBORDINATED DEBT	MAY/12	MAY/07	R\$ 76 MILLION	ITAÚ BBA
SUBORDINATED DEBT	OCT/12	OCT/07	R\$ 19.2 MILLION	BANCO FIBRA
SUBORDINATED DEBT	MAR/13	MAR/08	R\$ 20 MILLION	BBI

ECONOMIC AND FINANCIAL PERFORMANCE

ECONOMIC ENVIRONMENT

The highlight of the year on the global arena was the growth of the emerging countries and the start of a process of softening of the economic difficulties of the developed nations. The growth of Brazil's Gross Domestic Product (GDP), in 2010, was 7.5%, a performance that reflects 10.1% growth of the industrial sector, 6.5% growth of the crop and livestock farming sector, and 5.4% growth of the services sector.

Family consumption, which increased 7.0%, went hand-in-hand with a lower unemployment rate, which stood at 5.3% in December, the lowest on record since 2002, when the Monthly Employment Survey began, conducted by IBGE (the Brazilian Institute of Geography and Statistics).

The expansion of the economy was the result of the monetary and tax stimuli that favored a number of sectors, including building, electrical and electronic goods, and vehicles. What also contributed to economic buoyancy was the minimum wage

increase to R\$ 510.00 in early 2010, the lower basic interest rates (the Selic rate closed the year at 10.75%) and the growth of the volume of credit.

The balance of credit operations amounted to R\$ 1,706 billion, having increased 21% in 12 months. Loans with targeted resources totaled R\$590 billion, reflecting a 28% increase vs. the previous year. With respect to free credit, the balance of operations reached R\$ 1,116 billion, a 17% expansion in the year. Thanks to this performance, the volume of credit was equivalent to 46.4% of GDP (45% in 2009).

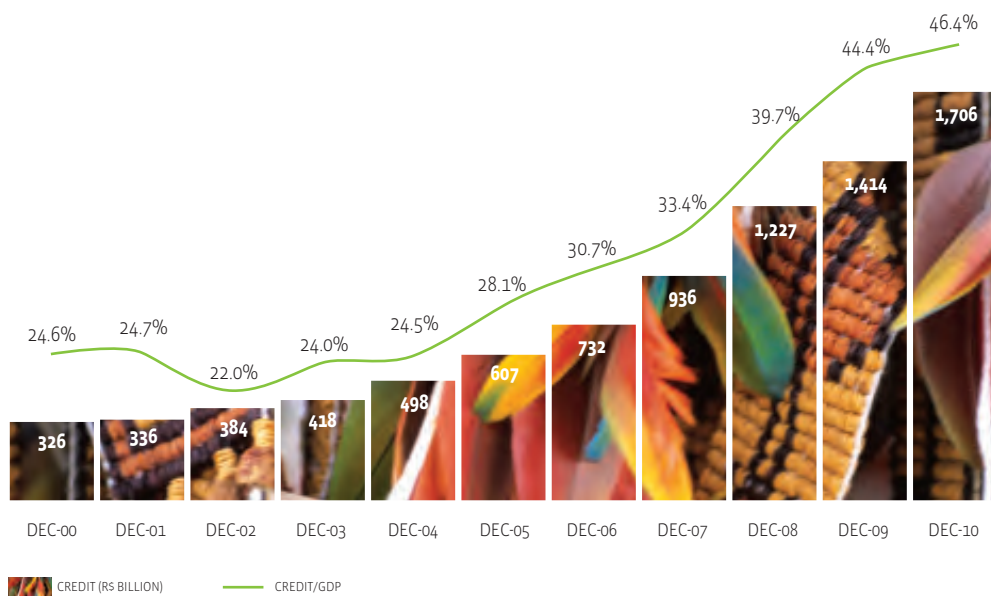
One of the consequences of the consumption stimuli was the rise of inflation. The Broad National Consumer Price Index (IPCA), which is the inflation reference used by the Central Bank, increased 5.9% in 2010, whereas the General Price Index – Domestic Availability (IGP-DI) ended the year with a variation of 11.3%, the greatest since 2004.

In 2011, the developed economies are expected to maintain their slow recovery. In the Euro zone, the financial difficulties of certain economies should be solved within

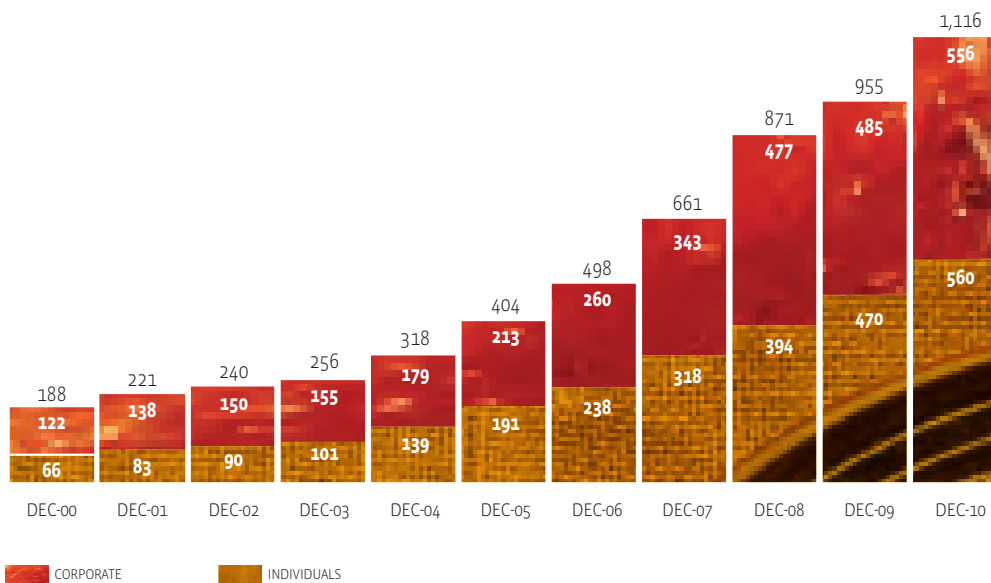
the economic block itself. In the United States, the monetary and tax stimuli should be effective in terms of putting the US economy back on a growth path. China is unlikely to change its foreign exchange formation mechanism, which maintains the yuan devalued.

The Brazilian scenario is an uncertain one, as the new government goes through a trial and error period, which is part of the current administration's learning curve. What is likely to require attention are the decisions to solve the high demand vs. inflation equation. The growth of credit for individuals should be maintained, but at a slower pace than that of 2010. The real estate market, in turn, will only develop further with a drop of real interest rates, which is not expected in the short term.

CREDIT OPERATIONS OF THE FINANCIAL SYSTEM



CREDIT EVOLUTION IN BRAZIL - FREE RESOURCES (RS BILLION)



SOURCE: CENTRAL BANK

RESULTS

The 2010 results reflect the re-evaluation of pricing and mark-to-market criteria of specific corporate assets (fiscal hedge) recorded in excess in the results of 2010, 2009 and 2008, in the total net amount of R\$114 million. Of this amount, the sum of R\$26 million was adjusted in regard to the net income of the first half of 2010 and the remainder, to the net income and the stockholders' equity of the two previous years. These resulted in a lower level of recurrent results, which affected the year as a whole.

Besides these adjustments, in 2010 the Bank also incurred in non-recurrent net expenses in the amount of R\$57 million, mainly concerning three events:

- In the Retail business, the cost of turning CREDIFIBRA into an operating company, the investments in the credit card project, in addition to incorporation and expansion expenses amounting to R\$319 million;
- The merger of the Sales Promoters GVI and GVCred (the former Sofcred) into CREDIFIBRA, aiming at downsizing the corporate structure, improving controls and taking advantage of synergies. This incorporation, which had an initial negative impact of R\$17.3 million on net income, will result, in forthcoming years, in benefits for the Bank estimated at more than R\$8 million a year; and,
- Provisions for civil contingencies in the amount of R\$7.8 million, for cases that are not expected to recur in the future.

In 2010, Banco Fibra's gross financial intermediation income was R\$ 368 million, an amount 5% greater than that of 2009. Service revenues and fees reached R\$ 77 million, with a growth of 135%, explained by the rise of bank fees.

EFFICIENCY RATIO

R\$ MILLION	2010	2009	(%)
PERSONNEL EXPENSES	162	109	48%
ADMINISTRATIVE EXPENSES	157	92	71%
TOTAL NUMERATOR	319	201	59%
INCOME FROM FINANCIAL OPER.	368	351	5%
PROVISIONS FOR DOUBTFUL CREDIT	142	152	-6%
GROSS INCOME BEFORE PROVISION	510	502	2%
SERVICES AND FEES INCOME	77	33	135%
TAX EXPENSES	(51)	(47)	8%
OTHER OPERATING INCOME	(22)	(5)	360%
TOTAL DENOMINATOR	514	483	6%
EFFICIENCY RATIO	61.9%	41.6%	+20.3 P.P.

Net income amounted to R\$ 3.7 million, and net shareholders' equity, on December 31, 2010, stood at R\$ 792 million, with growth of 14% vs. the December 2009 balance.

EFFICIENCY RATIO

The efficiency ratio (expenses over revenues), reached 61.9%, vs. 41.6% in 2009, largely due to additional expenses and the integration of the companies Paulicred, Sofcred and Validata. This ratio should improve in 2011, as the revenues from the vehicles and cards businesses offset the early growth of expenses.

ASSETS AND LIQUIDITY

Total assets amounted to R\$ 10.0 billion in December 2010, 14% less than in the same period last year, when they reached R\$ 11.7 billion. In keeping with the strategy of focusing on its core business (i.e., providing credit for companies and individuals), Fibra gradually reduced

its operations with government bonds with repurchase agreements and, as a result, ceased to be a primary dealer for the Central Bank as of February 2010. As a result, credit operations accounted for 75% of total assets in 2010, with a significant increase (32 percentage points) vs. 2009.

Fibra maintained a comfortable cash position and reached the end of December with its objective cash position of R\$ 1.0 billion.

CREDIT OPERATIONS

Fibra's credit operation is divided essentially into three types: credit operations for companies, focusing on the middle market; retail operations generated by its finance company CREDIFIBRA, consisting basically of direct consumer loans, payroll- and pension-deductible loans and vehicle financing; and credit acquired from other financial institutions.

CREDIT EVOLUTION

RS MILLION	DEC-10	DEC-09	VAR.(%) DEC10/DEC09
CORPORATE	5,195	4,058	28%
CREDIT	4,815	3,619	33%
GUARANTEE	380	439	-13%
RETAIL	2,511	1,206	108%
CONSUMER CREDIT	653	507	29%
PAYROLL-DEDUCTIBLE	500	330	52%
VEHICLE	1,358	369	268%
CREDIT ACQUISITION	187	261	-28%
TOTAL PORTFOLIO	7,893	5,525	43%

NOTE: THE VEHICLE FINANCING OPERATIONS BEGAN IN SEPTEMBER 2009, AS A RESULT OF THE ACQUISITION OF PAULICRED OPERATIONS.

The balance of credit operations in December 2010 reached R\$ 7.9 billion, 43% above the same period in 2009.

The corporate credit portfolio reached R\$ 5.2 billion, with growth of 28% over 12 months, and accounted for 66% of the total credit portfolio. The credit operations for companies in the financial system as a whole grew 15%.

Among the achievements of 2010, the Bank reached a record R\$ 424 million in BNDES funding releases, and a total of R\$ 46 million in credit having been disbursed for the Funcafé (the Defense Fund for Coffee-Related Economic Activities) during the year. This is the first year Fibra offered the Funcafé product for its clients.

The Retail portfolio grew 108% in the last 12 months (vs. 19% in the market of

individuals as a whole), to R\$ 2.5 billion in December 2010, largely due to the acquisition of the vehicles financing and payroll- and pension-deductible loans operations of Banco Sofisa and to Brazil's good economic moment. The Retail portfolio already accounts for 32% of the total credit portfolio, vs. 22% in December 2009.

The Bank's portfolio of acquired credit amounted to R\$ 187 million on December 31, 2010, or 2% of its total credit portfolio.

DEFAULT AND PROVISIONS FOR LOSSES

The consolidated balance of the provision for doubtful loans (PDL) reached R\$ 236 million, or 3.1% of the volume of credit operations, with 221% coverage of all loans past due by more than 90 days. The Bank's default ratio (amounts past due by more than 90 days) was 1.4%, lower than the December 2009 figure of 1.8% and the market figure of 4.6% (data from Brazil's Central Bank).

CREDIT PORTFOLIO - CONCENTRATION OF MAIN DEBTORS*

% CREDIT PORTFOLIO	DEC-10	DEC-09
MAIN DEBTOR	0.7%	2.5%
10 LARGEST DEBTORS	5.2%	7.3%
20 LARGEST DEBTORS	8.8%	11.7%
50 LARGEST DEBTORS	16.8%	22.3%
100 LARGEST DEBTORS	26.4%	33.8%

* EXCLUDES INTERBANK MARKET AND INCLUDES GUARANTEES

CREDIT QUALITY INDICATORS (R\$ MILLION)	DEC-10	DEC-09	(%)
CREDIT PORTFOLIO⁽¹⁾	7,513	5,086	48%
BALANCE OF PDL	236	180	31%
D-H PORTFOLIO	269	216	25%
CONTRACTS PAST DUE BY MORE THAN 90 DAYS ⁽²⁾	107	92	16%

PORTFOLIO RATIO

PDL/PORTFOLIO	3.1%	3.5%	- 0.4 P.P.
D-H PORTFOLIO / PORTFOLIO	3.6%	4.2%	- 0.6 P.P.
CONTRACTS PAST DUE BY MORE THAN 90 DAYS ⁽²⁾ /PORTFOLIO	1.4%	1.8%	- 0.4 P.P.

COVERAGE RATIO

PDL/ CONTRACTS PAST DUE BY MORE THAN 90 DAYS ⁽²⁾	221%	196%	+ 25 P.P.
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(1) EXCLUDES GUARANTEES

(2) PAST DUE AND FUTURE INSTALLMENTS OF CONTRACT

RISK DISTRIBUTION

	DEC-10	ACUM.	DEC-09	ACUM.
AA	15.1%	15.1%	11.6%	11.6%
A	39.9%	55.0%	43.6%	55.2%
B	32.3%	87.3%	29.0%	84.2%
C	9.1%	96.4%	11.5%	95.7%
D-H	3.6%	100.0%	4.3%	100.0%

CAPITAL INCREASE

Grupo Vicunha and IFC decided to increase the Banco Fibra capital, thus showing their firm intent to support the Bank's growth plans. An initial R\$ 100 million tranche was paid in during 2010, resulting in net shareholders' equity of R\$ 792 million and a Basel II index of 13.3% (also including the subordinated loan obtained from DEG, in the amount of US\$ 25 million, that is awaiting Central Bank approval). Brazil's Central Bank rules dictate that banks should maintain capital equal to or greater than 11.0% of their risk-weighted assets. This percentage is higher than the 8.0% established in the Basel Accord.

In March 2011, a new capital increase occurred, in the amount of R\$ 80 million, to be paid in by Grupo Vicunha. The subscription rights were extended to the shareholder IFC, to allow it to maintain its proportional stake in the Bank, which results in the capital increase rise of another R\$ 6 million. The entire increase resulted in pro-forma capital of R\$ 878 million and a Basel index of 14.3%.

Additionally, Banco Fibra is discussing with its shareholders the possibility of a further subsequent capital increase in the amount of R\$ 154 million. IFC is to present a proposal to take part in this new capital increase to its Board of Directors. Besides its own investment, IFC may mobilize third-party funds for this transaction, which might include the IFC African, Latin American and Caribbean Fund. If this increase is approved by all the appropriate authorities, it will raise the stake of the minority shareholders to some 20% of Fibra's corporate capital and its (proforma) Basel index to 16.2%.

ADDED VALUE

The value added in 2010 amounted to R\$ 263 million, vs. R\$ 286 million in the previous year. This added value illustrates the organization's wealth generation capacity and the social effects produced by the distribution of these funds among the personnel (59%), the government and society (39%), and the shareholders (9%). The figure was calculated as the difference between the gross income from financial intermediation plus the rendering of services, and the operating expenses.

STATEMENT OF ADDED VALUE (GRI EC1)

	2010		2009	
	RS MILLION	%	RS MILLION	%
COMPOSITION OF ADDED VALUE				
GROSS INCOME ON FINANCIAL OPERATIONS	368	140%	351	123%
INCOME FROM SERVICES	24	9%	16	6%
BANK FEE INCOME	53	20%	16	6%
OTHER OPERATING INCOME/EXPENSES	(181)	-69%	(98)	-34%
TOTAL	263	100%	286	100%
DISTRIBUTION OF ADDED VALUE				
SALARIES	155	59%	146	51%
SALARIES	106	40%	69	24%
BENEFITS	23	9%	13	5%
UNEMPLOYMENT GUARANTEE FUND	9	4%	7	2%
OTHER CHARGES	17	6%	57	20%
GOVERNMENT REMUNERATION	103	39%	155	54%
TAX EXPENSES	59	22%	47	17%
INCOME TAX AND SOCIAL CONTRIBUTION	18	7%	89	31%
INSS (SOCIAL SECURITY CHARGES)	26	10%	18	6%
INTEREST ON OWN CAPITAL /				
DIVIDENDS PROPOSED	22	9%	51	18%
LOSS FOR THE PERIOD	(18)	-7%	(67)	-23%
TOTAL	263	100%	286	100%

INTANGIBLE ASSETS

The strategic decision to offer solutions to middle market clients, combined with credit operations in segments that have high growth and profitability potential, provides Fibra with competitive advantages. The Bank prioritizes team specialization, has a policy of continuous investment in technology to improve services and constantly adjusts it to meet the needs of its clients, and is constantly alert as to how up-to-date its products are relative to the market.

Relationship – Team specialization, freeing up of the sales force, a presence with clients, solutions for companies and high standard services: these are the components that are fundamental for a relationship with clients, especially to fulfill their product needs and provide efficient and speedy operations. In the corporate segment, the product portfolio, the ability to understand the specifics of the clients' business in order to be able to serve them accurately, and the reach of the Bank's operations throughout Brazil, particularly in regions where there is a concentration of production activities, are the strengths that attract business. In the Retail segment, product and high performance credit tools are the key distinguishing features used to build up loyalty among client stores.

Products – A complete portfolio of products designed to better serve clients favors business and gives Fibra a competitive edge. With products that have efficient parameters relative to the client profile it is possible to offer adequate rates and terms, manage risks more effectively and have a portfolio that is closer to the market reality. The Retail segment also relies on

technological innovation as applied to the business, with credit products that are supported by operational platforms that give them security and lead to lower costs and speedier transactions.

Specialization – Highly specialized and technically well-prepared teams in the client business segments in both management and sales raise the quality of the Bank's infrastructure in both products and operational solutions. From the perspective of client relations, professional specialization enables offering a more refined service that covers the reality of companies and stores better, thus facilitating decisions about redesigning products, adjustments to processes and operating systems, improvements in risk management models and the offer of Treasury products.

Distribution network – The Bank has 20 corporate service units spread throughout Brazil, the greatest concentration being in the Southeast Region. The Retail segment has 26 units in Brazil's five geographical regions. Product distribution is made more flexible by the virtual business platform system. These platforms enable account managers to provide clients with a mobile service in regions in which the Bank operates, without the need to maintain local premises.

Technology – Extensive use of technology in the digitizing of operational processes, in sales support, in the granting of loans, in the construction of solutions in products and services for clients and in risk management makes for security and

speed of action when it comes to decision-making. This is a cornerstone in the Bank's strategic positioning that allows it to stand out vis-à-vis its competitors.

Conservative and efficient management

– The management model is guided by professionalization and ethics in the conduct of business. Members of the management team and the Board of Directors have no family relationships with the controlling family, which sets the Bank apart from its competitors in the segment. Senior executives have good professional reputations, more than 20 years of experience in the financial market and highly qualified academic credentials. The teams are constituted according to criteria of academic background, market specialization and professional maturity.

Shareholders – Grupo Vicunha's management experience and the expertise of the International Finance Corporation in corporate governance and social and environmental responsibility strengthen the Bank's business. In 2010, the shareholders injected R\$ 100 million of new capital, which bears witness to their confidence in the business.

Brand – The Fibra brand, in the Portuguese language, refers to ideas of determination, strength and perseverance, which are evident in the Bank's team spirit and in the history of Grupo Vicunha, which founded Fiação Brasileira Rayon (Fibra) in the textile sector. Now CREDIFIBRA, the Bank's retail brand, will further reassert the power of the name. The Bank has registered the Fibra, CREDIFIBRA and GVI trademarks and has 13 other requests. It also owns eighteen domain names on the Internet in Brazil and twelve domain names registered abroad.



4.

PEOPLE MANAGEMENT AND SOCIAL AND ENVIRONMENTAL PERFORMANCE

PEOPLE MANAGEMENT

The rapid expansion that has underscored Banco Fibra's activities over the past few years has also been reflected in headcount growth and in improving the professional development of its teams. At the end

of 2010, the Bank and CREDIFIBRA employed 1,622 people directly, and had 20 trainees and a further 85 outsourced employees, to a total of 1,727 people.

The hiring policy now has new stages in the selection process. In addition to interviewing the candidate, the only procedure previously employed, the process now comprises a

situation test, a case study for analysis and a piece of writing. In the areas in which the function to be occupied by the candidate demands specialized knowledge, specific tests are also applied.

Among the hiring objectives for 2011, the Bank plans to admit 20 trainees for various areas.

CLAY FIGURES: THE CULTURE AND FOLKLORE OF THE NORTHEASTERNS

This is the form of popular art and handicraft that is produced in the greatest numbers in Brazil. It developed in regions where clay could be easily obtained. One finds these clay figures in the fairs and markets of the Northeast, especially in the State of Pernambuco. They are inspired by the region's typical characters, such as the cangaceiro bandits, emigrants, salespeople, musicians and lace makers.

TOTAL NUMBER OF WORKERS (GRI LA1)

	2009	2010
EMPLOYEES	1,049	1,622
SOUTH-EAST REGION	871	1,288
SOUTH REGION	125	179
NORTHEAST REGION	33	83
MIDDLE WEST REGION	19	41
NORTH REGION	1	31
THIRD-PARTY WORKERS	147	85
TRAINEES	24	20
TOTAL	1,220	1,727

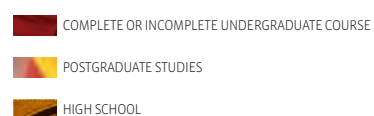
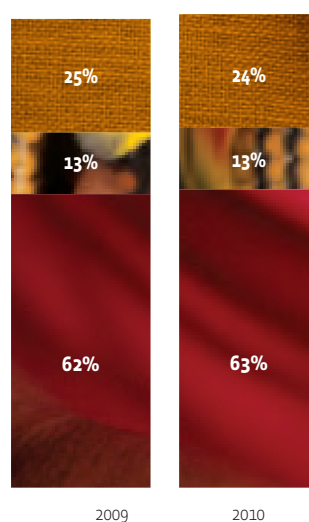
EMPLOYEE TURNOVER (GRI LA2)

	2009		2010	
	BANCO FIBRA	CREDIFIBRA	BANCO FIBRA	CREDIFIBRA
AVERAGE NUMBER OF EMPLOYEES	387	562	452	880
NUMBER OF ADMITTED	128	250	235	446
NUMBER OF DISMISSED	107	195	128	317
TURNOVER – TOTAL	27.6%	35.0%	28.3%	36.0%
TURNOVER BY GENDER				
MEN	71	78	92	139
WOMEN	36	117	36	178
TURNOVER BY AGE				
UP TO 30 YEARS OLD	29	84	41	127
BETWEEN 30 AND 50 YEARS OLD	70	101	75	186
OVER 50 YEARS OLD	8	10	12	4
TURNOVER BY REGION				
SOUTH-EAST REGION	97	140	117	206
SOUTH REGION	3	49	6	91
NORTHEAST REGION	6	2	4	11
MIDDLE WEST REGION.	1	4	1	4
NORTH REGION	0	0	0	5

* AVERAGE BETWEEN JANUARY AND DECEMBER (DOES NOT INCLUDE THOSE ON LEAVE)

DIVERSITY INDICATORS (GRI LA13)

NUMBER OF EMPLOYEES	2009	2010
FUNCTIONAL		
DIRECTORS	12	11
MANAGERS AND SUPERVISORS	367	537
ADMINISTRATIVE	165	195
TECHNICAL LEVEL	265	403
OPERATIONAL LEVEL	240	476
GENDER		
MEN	561	848
WOMEN	488	774
COLOUR / RACE		
WHITE	955	1,485
BLACK	62	95
YELLOW	32	39
INDIGENE	0	3
AGE		
UP TO 30 YEARS OLD	301	404
BETWEEN 30 AND 50 YEARS OLD	669	1,132
OVER 50 YEARS OLD	79	86

PROFILE BY TIME WITH THE BANK**PROFILE BY EDUCATIONAL LEVEL**

TRAINING

Three action fronts for professional development stood out in 2010. One of them was the leadership and management cycles training program, taken by all personnel who occupied positions above area coordinator. The modules of this training program were customized by business area and professional activity, with the teams from the sales area receiving additional course content on how to manage client portfolios.

Another front was reserved for the credit teams. Personnel from the area, in functions from junior analyst to the head of the area, attended a course given by the Management Institute Foundation (FIA), an institution founded and maintained by professors from the Business Administration Department of the School of Economics, Business Administration

and Accounting of the University of São Paulo (FEA/USP). There were more than 150 hours of training in credit analysis, business niches and case studies. The course ended with a final piece of work in the form of a business plan.

The third initiative involved e-learning courses, which went into operation in 2010. The courses are given over the intranet and cover both operational and normative subjects. The first course along these lines dealt with how the electronic time-control (clocking in) system functions; the next courses will be on information security and money laundering prevention.

The training philosophy is to prepare people technically, but also to motivate them as an incentive to become more professionally engaged. Attention is also paid to customizing courses so that they meet the specific needs of each area. The learning method presupposes

practical experimentation of the conceptual content.

In addition to training, every three months the Human Resources area also arranges a series of talks on various topics. In 2010, they dealt, among other things, with money laundering prevention, new collection methods and moral harassment.

New training programs are being planned for 2011 along the same lines. One of them will be aimed at account managers and back-office teams. There will also be training on communication perspectives – internal, with the client, written and verbal – and a leadership refreshment course for area managers.

HOURS OF TRAINING BY FUNCTION (GRI LA10)

FUNCTION	EMPLOYEES BY FUNCTION	NUMBER OF PARTICIPANTS	NUMBER OF HOURS	HOUR/ EMPLOYEE
DIRECTORS	11	17	339	30.82
MANAGERS AND SUPERVISORS	537	811	12,653	23.56
TECHNICAL LEVEL	403	607	5,803	14.40
OPERATIONAL LEVEL	476	518	2,534	5.32
ADMINISTRATIVE / TRAINEES	215	211	606	2.82
TOTAL	1,642	2,164	21,935	13.4

Performance assessment – During the year, all the Bank's employees underwent formal performance evaluation. At CREDIFIBRA, only the managers were assessed, i.e., 20.6% of its personnel. (GRI LA12)

Remuneration and benefits – The remuneration policy provides for a mixture of direct and indirect salary and benefits, such as a medical plan to which the employee contributes, meal vouchers, groceries vouchers and reimbursement of children's day care center costs. These benefits are not extended to those who only work part-time or are temporary employees (trainees). (GRI LA3)

Employees have the right to profit sharing according to criteria and parameters established in a specific plan filed with the Bankers' Trade Union. In 2010, this amount reached R\$ 17.2 million (R\$ 55.0 million in 2009).

Health and safety – During the year, our traditional Health Week was held. This was to remind people of the habits that are fundamental for preserving life, such as healthy eating and periodic medical exams. The program included activities such as the ergonomic measurement of chairs and computer monitors, a quick massage service, an ophthalmology kiosk and a fruit stall, which served fruit and cereals every three hours. With practices such as these, the Bank promotes education and training programs that relate to the prevention and control of the risk of serious diseases. (GRI LA8)

The Bank has an Internal Accident Prevention Committee (Cipa) comprising 12 members, 50% of whom are elected by employees, which represent 100% of workers. (GRI LA6)

Climate survey – As part of the management practices of the organizational culture, the Bank carries out a climate survey and discloses the results to employees. Human Resources provides directors with feedback on the results of the survey that concern their respective areas.

Union relations – All Fibra's employees are represented by the Bankers' Trade Union and covered by collective bargaining agreements. (GRI LA4)

SOCIAL RESPONSIBILITY

The Bank's social responsibility activities focus on promoting the well-being of children and adolescents in situations of social vulnerability and support their access to education and culture. The Bank also seeks to involve its employees in volunteering initiatives. In 2010, these activities were funded by investments of R\$199 thousand. **(GRI EC8)**

The structure to plan and exercise the Bank's social responsibility is comprised by 2 employees: one manager and one senior analyst.

The main activities supported by the Bank in 2010 were:

Correspondents Project – Its objective is to promote an exchange of letters between volunteers and children or adolescents who live in safe havens or frequent child and adolescent centers. Letters can be an important instrument of expression for the child or adolescent to set down in writing his or her life experiences and stories. The letters are also a way for exchanging perceptions on reality, giving rise to a cultural interchange between the correspondents. The project has a total of 551 volunteers and helps children from 43 institutions. Some 60 employees from the Bank and CREDIFIBRA are taking part in the project as volunteers.

Crossing Project – This is dedicated to promoting the return of children and adolescents to regular schooling and reintegrating them into family and community life. Support for the project is coordinated by the Bankers' Trade Union of São Paulo and the Bank has been involved with it since the project's inception in 1995.

Teachers without Frontiers –

This educational work is conducted with youngsters enrolled in high school in Jardim Ângela, a district in the south of the city of São Paulo. Lessons are provided complementing those in the normal school curriculum, to upgrade students' knowledge to the level expected of someone in their age group and school grade.

Gol de Letra Foundation – It offers full time educational programs for more than 1,200 adolescents in São Paulo (Vila Albertina) and Rio de Janeiro (Caju), with an educational proposal that is associated with social aid, helping families and strengthening communities. In 2010, as in the previous year, professionals from the Bank and from CREDIFIBRA took part in the Gol de Letra Tournament, an event that brings together sponsors and is one of the main fund-raising activities for the organization's programs.

GRAACC – The Support Group for Adolescents and Children with Cancer strives to ensure the right to have a chance of a cure, with quality of life and within the highest scientific standards. It supports a hospital that sees to 2,500 patients a month. The Bank contributes via the McHappy Day initiative, by purchasing sandwiches from the fast food chain, the income from which is passed on to the entity.

Reciclar Institute – It is responsible for the Education for Work and Citizenship Program, which helps adolescents from the Jaguaré shantytown in São Paulo. Youths take part in producing articles from recycled materials, in keeping with sustainability concepts. Income from

this initiative goes towards maintaining and developing the entity's activities. The support of the Bank comes from the purchase of Christmas cards, gifts for clients and office materials.

Easter Solidarity Campaign – This is a Banco Fibra volunteer campaign to collect Easter eggs for 140 children helped by the Jardim Fontalis Social and Educational Center.

São Paulo Biennial Foundation – Banco Fibra was one of the sponsors of the 29th São Paulo Biennial Art Show, which exhibited 200 pieces of work from 148 artists.

Jerusalem Symphony Orchestra – Support for the presentation, which took place in the Sala São Paulo concert hall in August 2010. This fund-raising event was organized by both the catholic Liga Solidária (Socially Aware League) and the Jewish UNIBES (Brazilian-Israelite Union for Social Welfare). The two entities care for children and adolescents in social risk.

Expanded Field Exhibition – Sponsorship of the exhibition of works by Sérgio Camargo, a tribute to the 80th anniversary of the birth of the artist and 20th anniversary of his death. The exhibition was promoted by the Institute of Contemporary Art and the Maria Antonia University Center – USP, and was held between August 15 and October 24 in São Paulo.

ENVIRONMENTAL RESPONSIBILITY

Economic growth combined with corporate responsibility is what guides the adoption of sustainability practices within the organization. In the environmental area, internal initiatives seek to use resources responsibly and compliance criteria are used for the approval of client loans.

Loans associated with environmental policies – In line with the guidelines of its shareholder IFC, the Bank adopts policies, procedures and approval flows for loan operations that make the granting of a loan conditional on companies adopting best practices in their care for the environment, health and safety. The policy also vetoes commercial relationships with clients who have activities linked to wild animals and plants, radioactive materials, asbestos fibers, non-forestation timber and substances that are harmful to the ozone layer.

More with Less – This campaign encourages the rational use of resources such as water, electricity, plastic, paper, food, transport, telephones, and time and throughout 2010, the Bank invited its employees to put into practice actions for reducing the consumption of resources. It also promoted Duplex Printing campaigns, which introduced the idea of printing on both sides of the paper, and instituted a Water – Avoid Waste campaign, with guidance on how to avoid wasting this resource.

The Bank also supports the use of alternative means of transport for coming to work, such as bicycles and walking, by offering employees a changing room with showers.

DUPLEX PRINTING ⁽¹⁾

	2010
TOTAL PRINTING	1,226,576
TOTAL DUPLEX PRINTING	353,108
SAVINGS	29%

(1) CONSOLIDATION SINCE THE PROJECT WAS INTRODUCED, IN AUGUST, UNTIL DECEMBER 2010

Energy – During the year, the consumption of indirect electricity, as represented by lighting and cooling in the administrative buildings, totaled 1,010,569 kWh, 61% of which related to the consumption of CREDIFIBRA and 39% to the Bank's installations. As this is the first year in which this data has been controlled, there is no parameter for making a comparison with previous periods. Energy sources follow the Brazilian energy matrix, with 90.6% coming from renewable sources (hydro, biomass and wind). (GRI EN4)

The Bank's headquarters in São Paulo has an ecologically appropriate infrastructure, with regulated air conditioning, traffic control systems and intelligent elevators to generate energy savings.

Recycling – The Bank has a collection and separation procedure for recycling materials used in its headquarters in São Paulo. It has also installed collection receptacles for batteries, cell phones and other technological waste, which are sent for recycling to ADS Green, which is responsible for the micro-logistics operation that makes the Participate and Recycle Project feasible. The result of this environmentally appropriate disposal is certified. The Bank's headquarters building has waste collection and recycling systems.

MATERIALS USED (GRI EN1)

	2010
A5/A4 PAPER	12,900 REAMS
CARTRIDGE	192 PIECES
TONNER	562 PIECES

MATERIALS COLLECTED FOR RECYCLING (GRI EN22)

	KG
BATTERY	64
PAPER	1,857
TOTAL	1,921

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A RIO GRANDE DO SUL TRADITION

Chimarrão is a typical drink from Rio Grande do Sul State, consisting of maté herb tea drunk out of a typical bowl with a metal sucker. The bowl, a fundamental part of the chimarrão tasting experience, is generally made out of a gourd, although some are made out of wood, porcelain, leather or even horn.

Balance Sheets at December 31, 2010 and 2009

(IN THOUSANDS OF REAIS)

	Banco Fibra S.A.		Fibra Consolidated	
	2010	2009	2010	2009
ASSETS				
CURRENT ASSETS	5,825,702	10,000,853	7,108,623	9,991,413
Cash and banks	29,430	31,062	37,155	33,982
Interbank investments	755,724	4,910,524	755,724	4,910,524
Money market	630,446	4,659,748	630,446	4,659,748
Interbank deposits	83,623	39,219	83,623	39,219
Foreign currency deposits	41,655	211,557	41,655	211,557
Securities and derivative financial instruments	338,351	951,460	506,254	916,608
Own portfolio	309,932	830,927	487,852	804,500
Subject to repurchase commitments	–	29,167	–	29,167
Derivative financial instruments	20,323	28,808	10,306	20,383
Deposited with the Central Bank of Brazil	8,096	–	8,096	–
Subject to guarantees provided	–	62,558	–	62,558
Interbank accounts	74,527	41,404	74,527	41,404
Term deposits - Deposited with the Central Bank of Brazil	72,714	40,208	72,714	40,208
Correspondents	1,813	1,196	1,813	1,196
Loans	3,924,478	3,257,195	4,872,102	3,257,195
Public sector	7,091	33,760	7,091	33,760
Private sector	4,020,394	3,309,103	4,997,557	3,309,103
(-) Allowance for doubtful loans	(103,007)	(85,668)	(132,546)	(85,668)
Other receivables	680,508	773,508	805,253	795,886
Foreign exchange portfolio	654,089	704,519	654,089	704,519
Income Receivable	2,695	40	3,364	811
Due in connection with securities dealing	3,358	190	4,865	248
Other	20,366	68,759	142,935	90,308
Tax credits	4,073	31,712	4,940	38,989
Real estate receivables	–	–	3,251	5,030
Other (Note 17a)	70,142	67,287	189,728	70,163
(-) Allowance for doubtful receivables	(53,849)	(30,240)	(54,984)	(23,874)
Other assets	22,684	35,700	57,608	35,814
Other assets	–	–	445	–
Prepaid expenses	22,684	35,700	60,655	35,813
Provision for devaluation	–	–	(3,492)	1

Balance Sheets at December 31, 2010 and 2009

(IN THOUSANDS OF REAIS)

	Banco Fibra S.A.		Fibra Consolidated	
	2010	2009	2010	2009
LONG TERM RECEIVABLES	3,811,942	1,537,665	2,634,264	1,552,338
Interbank investments	1,482,356	12,812	33,309	12,812
Interbank deposits	1,482,356	12,812	33,309	12,812
Securities and derivative financial instruments	731,020	383,091	345,927	301,497
Own portfolio	406,734	181,730	114,144	181,730
Derivative financial instruments	146,074	130,315	53,571	48,721
Deposited with the Central Bank of Brazil	98,127	-	98,127	-
Subject to guarantees provided	80,085	-	80,085	-
Securities subject to repurchase commitments and free transactions	-	71,046	-	71,046
Loans	1,173,898	822,594	1,735,268	822,594
Public sector	3,334	6,779	3,334	6,779
Private sector	1,193,541	837,450	1,771,881	837,450
(-) Allowance for doubtful loans	(22,977)	(21,635)	(39,947)	(21,635)
Other receivables	403,169	284,426	492,647	380,107
Foreign exchange portfolio	-	4,604	-	4,604
Income Receivable	244	1,215	244	1,215
Other	402,925	278,607	492,403	374,288
Tax credits	247,172	227,809	305,806	265,816
Real estate receivables	-	-	7,836	13,758
Other (Note 17a)	159,582	92,261	182,590	143,562
(-) Allowance for doubtful receivables	(3,829)	(41,463)	(3,829)	(48,848)
Other assets	21,499	34,742	27,113	35,328
Other assets	9,144	1,870	9,144	2,246
Prepaid expenses	16,222	33,971	18,562	34,400
(-) Provision for devaluation of other assets	(3,867)	(1,099)	(593)	(1,318)
PERMANENT ASSETS	862,206	541,048	305,416	155,583
Investments	793,570	485,993	1,662	2,041
Shareholding interest in subsidiaries - In Brazil	792,189	484,612	-	-
Other investments	1,381	1,381	1,662	2,041
Premises and equipment	8,121	7,255	18,447	10,339
Other fixed assets	18,530	15,846	34,653	22,384
Accumulated depreciation	(10,409)	(8,591)	(16,206)	(12,045)
Deferred charges	3,498	5,475	8,652	8,957
Organization and expansion expenses	16,534	16,534	21,779	21,211
Accumulated amortization	(13,036)	(11,059)	(13,127)	(12,254)
Intangible	57,017	42,325	276,655	134,246
Goodwill on investments (note 25h)	39,850	39,850	243,921	126,282
Amortization of goodwill on investments	(12,619)	(8,634)	(21,738)	(8,634)
Software acquisition and development	36,008	12,204	65,443	18,287
Amortization on software acquisition and devel	(6,222)	(1,095)	(10,971)	(1,689)
TOTAL ASSETS	10,499,850	12,079,566	10,048,303	11,699,334

See the accompanying notes to the Financial statements.

Balance Sheets at December 31, 2010 and 2009

(IN THOUSANDS OF REAIS)

	Banco Fibra S.A.		Fibra Consolidated	
	2010	2009	2010	2009
LIABILITIES				
CURRENT LIABILITIES	6,516,248	8,740,163	6,349,337	8,550,550
Deposits (Note 12)	3,796,954	2,783,621	3,581,676	2,620,890
Demand deposits	177,021	134,731	168,292	129,105
Interbank deposits	714,481	556,579	571,174	428,105
Time deposits	2,904,523	2,090,869	2,841,281	2,062,238
Other deposits	929	1,442	929	1,442
Money market repurchase commitment (Note 13)	53,460	3,975,449	53,460	3,975,449
Own portfolio	–	97,615	–	97,615
Third party portfolio	53,460	3,877,834	53,460	3,877,834
Acceptances and endorsements	892,846	429,109	891,093	429,109
Agricultura bond funds	312,666	176,923	181,078	176,923
Notes and bonds issued abroad	580,180	252,186	710,015	252,186
Interbank accounts	100,703	48,436	282	–
Correspondent relations	–	–	282	–
Interbank repasses	100,703	48,436	–	–
Interbranch accounts	21,583	19,380	35,827	19,380
Third party funds in transit	21,583	19,380	35,827	19,380
Borrowings	751,430	958,046	751,430	958,044
Foreign borrowings (Note 15 a)	751,430	958,046	751,430	958,044
Repass Borrowings from Public Sector	356,840	146,162	356,840	146,162
BNDES (National Bank for Economic and Social Development) onlendings	146,686	89,099	213,091	89,099
FINAME Repasses (Note 15.b)	175,950	57,063	109,546	57,063
Rural	34,204	–	34,203	–
Derivative financial instruments	162,368	34,307	157,175	33,251
Derivative financial instruments	162,368	34,307	157,175	33,251
Other liabilities	380,064	345,653	521,554	368,265
Collection of taxes	2,521	4,230	3,706	4,230
Foreign exchange portfolio	196,869	169,717	196,869	169,717
Due to shareholders	–	33,344	–	33,344
Taxes payable	62,502	98,685	115,016	118,558
Due in connection with securities dealing	180	444	1,686	501
Subordinated debts	51,215	3,748	51,215	3,748
Other (Note 17 d)	66,777	35,485	153,062	38,167

Balance Sheets at December 31, 2010 and 2009

(IN THOUSANDS OF REAIS)

	Banco Fibra S.A.		Fibra Consolidated	
	2010	2009	2010	2009
LONG TERM LIABILITIES	3,186,918	2,640,619	2,902,267	2,449,983
Deposits (Note 12)	1,727,996	1,031,537	1,607,012	1,009,696
Interbank deposits	230,240	152,771	109,967	152,771
Time deposits	1,497,756	878,766	1,497,045	856,925
Money market repurchase commitment (Note 13)	-	1,664	-	1,664
Own portfolio	-	1,664	-	1,664
Acceptances and endorsements	129,835	374,224	129,835	374,224
Agricultural bond funds (Note 14a)	129,835	-	129,835	-
Securities abroad (Note 14b)	-	374,224	-	374,224
Interbank accounts	183,282	233,177	-	-
Interbank repasses (Note 17 c)	183,282	233,177	-	-
Borrowings	346,459	197,649	346,459	197,649
Foreign borrowings (Note 15 a)	346,459	197,649	346,459	197,649
Repass Borrowings from Public Sector	207,576	178,434	207,576	178,434
BNDES (National Bank for Economic and Social Development) onlendings	195,572	76,598	129,167	76,598
FINAME Repasses (Note 15.b)	-	101,836	66,404	101,836
Rural	12,004	-	12,005	-
Derivative financial instruments	34,608	83,416	34,608	83,416
Derivative financial instruments	34,608	83,416	34,608	83,416
Other liabilities	557,162	540,518	576,777	604,900
Taxes payable	168,135	130,270	182,228	141,819
Subordinated debts (Note 20)	343,419	395,734	343,419	395,734
Other (Note 17 d)	45,608	14,514	51,130	67,347
Deferred income	4,344	2,721	4,344	2,721
Deferred income	4,344	2,721	4,344	2,721
Minority interest in subsidiaries	-	-	15	17
Minority interest in subsidiaries	-	-	15	17
Shareholders' equity (Note 21)	792,340	696,063	792,340	696,063
Capital	806,461	706,461	806,461	706,461
Domestic	743,291	643,291	743,291	643,291
Foreign	63,170	63,170	63,170	63,170
Capital reserves	4,830	4,830	4,830	4,830
Profit reserves	-	40,970	-	40,970
Legal	-	40,970	-	40,970
Equity evaluation adjustments (Note 4c)	(16,868)	(31,648)	(16,868)	(31,648)
Retained earnings (losses)	(2,083)	(24,550)	(2,083)	(24,550)
TOTAL LIABILITIES	10,499,850	12,079,566	10,048,303	11,699,334

See the accompanying notes to the Financial statements.

Statements of Income for the years ended December 31, 2010 and 2009

(IN THOUSANDS OF REAIS)

	Banco Fibra S.A.			Fibra Consolidated		
		2010	2009		2010	2009
	2nd Semester	Year	Year	2nd Semester	Year	Year
Financial operations income	615,940	1,662,842	918,016	715,375	1,796,855	951,486
Loans	364,663	750,378	546,760	531,848	968,807	548,521
Leases	-	-	51	-	-	51
Securities income	192,926	362,529	605,763	115,543	265,453	608,060
Financial derivative instruments	(119,127)	(104,634)	(491,936)	(106,405)	(88,885)	(462,524)
Trade finance and foreign exchange income	177,478	654,569	257,378	174,389	651,480	257,378
Income from compulsory deposits	-	-	-	-	-	-
Financial operations expenses	(480,463)	(1,356,361)	(573,466)	(542,450)	(1,429,221)	(600,914)
Deposits, money market and interbank funds	(429,809)	(921,546)	(611,385)	(450,156)	(933,539)	(604,190)
Borrowings and onlendings	7,403	(360,383)	252,751	2,209	(353,204)	239,080
Leases	-	-	(51)	-	-	(51)
Trade finance and foreign exchange income	-	-	(84,020)	-	-	(84,020)
Allowance for doubtful loans	(58,057)	(74,432)	(155,070)	(94,503)	(150,989)	(176,042)
Allowance for doubtful loans - Additional	-	-	24,309	-	8,511	24,309
Gross income on financial operations	135,477	306,481	344,550	172,925	367,634	350,572
Other operating income (expenses)	(146,412)	(272,158)	(211,740)	(164,088)	(314,381)	(220,118)
Service fee income	8,598	16,874	12,579	11,768	24,032	16,248
Income from banking charges	2,418	10,213	16,454	35,549	52,828	16,454
Equity in earnings (losses) of subsidiaries	(22,509)	(29,597)	(3,727)	-	-	-
Personnel expenses	(49,731)	(91,216)	(69,777)	(89,883)	(161,938)	(109,282)
Other administrative expenses	(55,670)	(120,725)	(121,217)	(87,096)	(156,698)	(91,560)
Tax expenses (Note 18a II)	(10,985)	(27,324)	(33,161)	(24,833)	(51,032)	(47,286)
Other operating income	7,083	11,307	10,083	8,316	14,052	21,936
Other operating expenses	(25,616)	(41,690)	(22,974)	(17,909)	(35,625)	(26,628)
Operating income	(10,935)	34,323	132,810	8,837	53,253	130,454
Non-operating income	(3,211)	(3,253)	(1,474)	(3,050)	(3,112)	(1,503)
Income before income and social contribution taxes and profit sharing	(14,146)	31,070	131,336	5,787	50,141	128,951
Income tax and social contribution (Note 18a I)	(10,464)	(14,994)	(53,331)	(27,683)	(29,167)	(48,592)
Provision for income tax	5,043	(3,327)	(17,508)	(9,216)	(22,055)	(20,454)
Provision for social contribution tax	3,121	(2,080)	(12,833)	(5,541)	(13,396)	(14,002)
Deferred tax assets	(18,628)	(9,587)	(22,990)	(12,926)	6,284	(14,136)
Deferred tax assets (change to CSLL rate from 9% to 15%)						
Statutory profit share	(3,450)	(12,334)	(52,590)	(6,163)	(17,232)	(54,944)
Net income (loss)	(28,060)	3,742	25,415	(28,059)	3,742	25,415
Net income per lot of a thousand shares - R\$	(17.00)	2.27	15.40			

See the accompanying notes to the Financial statements.

Statements of Cash Flows

Years and semester ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

	Banco Fibra S.A.			Fibra Consolidated		
	2nd semester of 2010	12/31/2010	12/31/2009	2nd semester of 2010	12/31/2010	12/31/2009
ADJUSTED NET INCOME	89,159	147,641	243,117	107,166	171,796	311,005
Net income (loss)	(28,057)	3,745	25,415	(28,057)	3,745	25,415
Adjusted net income	117,216	143,896	217,702	135,223	168,051	285,590
Formation (reversion) for losses and nonoperating assets	3,295	2,768	–	3,295	2,767	–
Adjustment to market value of securities and derivative financial instruments (assets/liabilities)	7,747	14,780	27,456	7,747	14,760	27,456
Allowance for doubtful loans	58,059	74,432	151,733	94,503	142,478	151,736
Amortization of goodwill	1,994	3,985	6,173	7,201	–	(63,116)
Depreciation and amortization	4,988	8,922	5,626	9,549	14,313	7,662
Deferred taxes	18,628	9,586	22,990	12,926	(6,284)	161,835
Minority shareholders	–	–	–	2	17	17
Equity in income of associated companies and subsidiaries	22,509	29,597	3,727	–	–	–
Other	(4)	(174)	(3)	–	–	–
VARIATION OF ASSETS AND LIABILITIES	(206,181)	(22,960)	(219,967)	(157,859)	(241,590)	(590,773)
(Increase) decrease in interbank investments	298,045	2,518,559	(4,173,678)	636,887	3,967,596	(4,173,677)
Increase (decrease) in securities and derivative financial instruments (assets/liabilities)	201,574	344,433	2,449,339	260,673	441,040	2,177,229
Increase (decrease) in interbank accounts and interbank investments (assets/liabilities)	(37,505)	(28,548)	(219,514)	(22,609)	(16,394)	(115,034)
(Increase) decrease in loans	(689,294)	(1,107,044)	(1,046,402)	(1,240,534)	(2,680,630)	(1,045,651)
Increase (decrease) in other assets	(36,614)	10,771	60,919	(114,837)	(110,099)	82,729
(Decrease) increase in deposits	68,361	1,709,792	1,034,028	(15,619)	1,558,102	922,650
(Decrease) increase in money market repurchase commitments	(361,972)	(3,923,653)	2,142,623	(61,081)	(3,923,653)	2,142,623
(Decrease) increase in acceptances and endorsements	71,234	219,348	(356,289)	73,487	217,595	(356,289)
(Decrease) increase in liabilities from borrowings and repasses	136,351	182,014	(457,748)	136,351	182,016	(457,750)
Increase (decrease) in other obligations	141,777	49,745	346,778	187,561	121,214	232,420
Variation in deferred income	1,862	1,623	(23)	1,862	1,623	(23)
NET CASH GENERATED (INVESTED) IN OPERATIONAL ACTIVITIES	(117,022)	124,681	23,150	(50,693)	(69,794)	(279,768)
Dividends and interest on own capital received	–	–	9,996	–	(22,248)	–
(Purchase) disposal of investments	–	–	1,480	966	379	882
(Purchase) disposal of property, plant and equipment in use	(1,104)	(2,684)	(3,893)	(10,075)	(12,267)	(3,990)
(Purchase) disposal of nonoperating assets	(4,330)	(7,274)	–	(4,124)	(7,344)	–
(Purchase) disposal of intangible assets	(10,554)	(23,803)	6,499	(35,219)	(152,257)	(15,217)
NET CASH USED IN (INVESTED) IN INVESTMENT ACTIVITIES	(15,988)	(33,761)	14,082	(48,452)	(193,737)	(18,325)
Dividends and interest on own capital paid	–	(22,248)	(103,370)	–	–	(103,371)
Capital decrease in subsidiaries	30,000	30,000	29,988	–	–	–
Capital increase in subsidiaries	–	(367,000)	(366,993)	–	–	–
Capital increase	100,000	100,000	–	100,000	100,000	–
NET CASH GENERATED/(CONSUMED) IN FINANCING ACTIVITIES	100,000	77,752	(103,370)	100,000	100,000	(103,371)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 4a)	(3,010)	(168,328)	(403,143)	855	(163,531)	(401,464)
Beginning of the period	90,416	255,734	658,877	94,268	258,654	660,118
End of the period	87,406	87,406	255,734	95,123	95,123	258,654

See the accompanying notes to the Financial statements.

Statement of Added Value

Years Ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

	Banco Fibra S.A.			
	12/31/2010		12/31/2009	
	R\$ thousand	%	R\$ thousand	%
Composition of Value Added				
Gross income on financial operations	306,481	204.9%	344,550	147.1%
Income from services	16,874	11.3%	12,579	5.4%
Bank fee income	10,213	6.8%	16,454	7.0%
Other operating income/expenses	(183,958)	-123.0%	(139,309)	-59.5%
Total	149,610	100.0%	234,274	100.0%
Distribution of added value				
Salaries	88,691	59.3%	110,268	47.0%
Salaries	59,682	39.9%	44,549	19.0%
Benefits	11,015	7.4%	8,630	3.7%
Guarantee Fund for Length of Service	5,659	3.8%	4,498	1.9%
Other charges	12,335	8.2%	52,591	22.4%
Government Remuneration	57,177	38.2%	139,388	59.5%
Tax Expenses	34,243	20.4%	33,161	14.2%
Income Tax and Social Contribution	8,074	5.4%	94,127	40.1%
INSS	14,860	9.9%	12,100	5.2%
Interest on own capital/Dividends proposed	22,245	14.9%	51,285	21.9%
Loss for the period	(18,503)	-12.4%	(66,667)	-28.5%
Total	149,610	100.0%	234,274	100.0%

	Fibra Consolidated			
	12/31/2010		12/31/2009	
	R\$ thousand	%	R\$ thousand	%
Composition of Value Added				
Gross income on financial operations	367,634	139.7%	350,572	122.7%
Income from services	24,032	9.1%	16,248	5.7%
Bank fee income	52,828	20.1%	16,454	5.8%
Other operating income/expenses	(181,383)	-68.9%	(97,755)	-34.2%
Total	263,111	100.0%	285,519	100.0%
Distribution of added value				
Salaries	155,483	59.0%	145,877	51.2%
Salaries	106,419	40.3%	68,999	24.2%
Benefits	22,882	8.7%	13,350	4.7%
Guarantee Fund for Length of Service	9,351	3.6%	6,777	2.4%
Other charges	16,831	6.4%	56,751	19.9%
Government Remuneration	103,262	39.2%	155,024	54.2%
Tax Expenses	58,925	22.9%	47,280	16.6%
Income Tax and Social Contribution	17,991	6.8%	89,357	31.2%
INSS	26,346	10.0%	18,387	6.4%
Interest on own capital/Dividends proposed	22,245	8.6%	51,285	18.0%
Loss for the period	(17,879)	-6.8%	(66,667)	-23.4%
Total	263,111	100.0%	285,519	100.0%

See the accompanying notes to the Financial statements.

Statements of Changes in Shareholders' Equity

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

	Capital			Profit reserves		Valuation adjustments for shareholders' equity	Retained earnings (losses)	Total
	Paid in capital	Capital increase	Capital reserves	Legal	Statutory			
Balances at December 31, 2008	706,461	-	4,806	40,970	15,810	(59,104)	48,873	757,816
Adjustments opening balance (note 2)	-	-	-	-	(11,278)	-	-	(11,278)
Balances at December 31, 2008	706,461	-	4,806	40,970	4,532	(59,104)	48,873	746,538
Adjustments due to Circulars 3068/01 and 3082/02	-	-	-	-	-	27,456	-	27,456
Price level restatement of membership certificates	-	-	24	-	-	-	-	24
Dividends	-	-	-	-	(4,532)	-	(47,553)	(52,085)
Net income for the year	-	-	-	-	-	-	25,415	25,415
Interest on own capital	-	-	-	-	-	-	(51,285)	(51,285)
Balances at December 31, 2009	706,461	-	4,830	40,970	-	(31,648)	(24,550)	696,063
Balances at December 31, 2009	706,461	-	4,830	40,970	-	(31,648)	(24,550)	696,063
Adjustments due to Circulars 3068/01 and 3082/02	-	-	-	-	-	14,780	-	14,780
Reserve reversion	-	-	-	(40,970)	-	-	40,970	-
Capital increase	-	100,000	-	-	-	-	-	100,000
Net income for the year	-	-	-	-	-	-	3,742	3,742
Interest on own capital	-	-	-	-	-	-	(22,245)	(22,245)
Balances at December 31, 2010	706,461	100,000	4,830	-	-	(16,868)	(2,083)	792,340
Balances at June 30, 2010	706,461	-	4,830	42,561	7,966	(24,614)	(24,550)	712,654
Adjustments due to Circulars 3068/01 and 3082/02	-	-	-	-	-	7,746	-	7,746
Reserve reversion	-	-	-	(42,561)	(7,966)	-	50,527	-
Capital increase	-	100,000	-	-	-	-	-	100,000
Net income for the semester	-	-	-	-	-	-	(28,060)	(28,060)
Net income for the semester	-	-	-	-	-	-	-	-
Balances at December 31, 2010	706,461	100,000	4,830	-	-	(16,868)	(2,083)	792,340

See the accompanying notes to the Financial statements.

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

1. OPERATIONS

Banco Fibra S.A. is a multiple service bank, operating in the commercial, exchange, investment, credit and finance portfolios as well acting as an intermediary for its subsidiaries in securities brokerage activities, securitization of real estate credits as well as portfolio and investment fund management.

Operations are conducted in the context of a group of institutions that operate jointly in the financial market, and certain operations involve the participation or the intermediation of associate institutions that are also members of the financial system. The benefits of the services rendered among these institutions and the costs of the operating and administrative structures are absorbed, according to the practicality of assigning such costs, either jointly or individually.

Since the end of the first quarter of 2008, the institution has had a policy in place to protect net income and shareholders' equity from the full effects of the foreign exchange fluctuations of its investment in the branch located in Grand Cayman (full-branch). In this regard, it maintains a sell position in US dollars, in an amount sufficient to offset the direct and indirect impact on the results for the period.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were prepared in accordance with Corporation Law and the accounting practices adopted in Brazil, and in conformity with the rules and instructions of the Brazilian Central Bank - BACEN. They include operations conducted by its branch located abroad (Note 11) and are presented together with the financial statements of Banco Fibra and Banco Fibra Consolidated, which include the Bank and its subsidiaries (Note 10).

As of June 30, 2010, Management reviewed pricing and mark-to market criteria for some corporate assets and changed recognition criteria for profit sharing that resulted in charges to shareholders' equity totaling R\$87,607, net of tax effects from prior years, distributed as follows: R\$35,134 related to the first accounting period of 2009, R\$41,195 related to the second accounting period of 2009 and R\$11,278 related to prior periods. The authorization to complete these financial statements was given by the Executive Board on February 18, 2011. For better presentation and comparability, financial statements for the year ended December 31, 2009, bank and consolidated, have been adjusted in the respective lines, as follows:

Information selected from balance sheet	2009			
	Banco Fibra S.A.		Fibra Consolidated	
	Published	Adjusted	Published	Adjusted
Long term receivables				
Derivative financial instruments	231,401	130,315	149,807	48,721
Other	127,097	92,261	178,398	143,562
Long term liabilities				
Taxes payable	178,585	130,270	190,134	141,819
Shareholders' equity				
Statutory reserves	57,970	-	57,970	-
Retained earnings	-	(24,550)	-	(24,550)

Information selected from income statement	2009			
	Banco Fibra S.A.		Fibra Consolidated	
	Published	Adjusted	Published	Adjusted
Derivative financial instruments	(394,512)	(491,936)	(365,100)	(462,524)
Provision for income tax	(43,006)	(17,508)	(45,952)	(20,454)
Provision for social contribution tax	(28,132)	(12,833)	(29,301)	(14,002)
Statutory profit share	(32,888)	(52,590)	(35,242)	(54,944)
Net income	101,744	25,415	101,744	25,415

Information selected from statement of cash flow	2009			
	Banco Fibra S.A.		Fibra Consolidated	
	Published	Adjusted	Published	Adjusted
Net income	101,744	25,415	101,744	25,415
(Increase) decrease in securities	604,901	2,449,339	639,896	2,177,229
Increase (decrease) in other liabilities	339,599	346,778	386,377	380,118
Cash and cash equivalents at the beginning of the year	1,487,168	658,877	1,273,481	660,118
Cash and cash equivalents at the end of the year	1,769,686	281,852	1,872,198	258,654

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

3. SIGNIFICANT ACCOUNTING PRACTICES

a. Consolidation practices

In the preparation of consolidated financial statements (Consolidado Econômico Financeiro - CONEF), denominated "Fibra Consolidated", consolidation criteria adopted are in compliance with Standard Chart of Accounts for National Financial Institutions (COSIF), insituted by Circular Letter 1,273, of December 29, 1987, comprised of Banco Fibra S.A., its foreign branch and direct subsidiaries, as follows:

Name	Activity	Share	
		2010	2009
Subsidiaries			
Fibra Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	Distribution of securities and fund management	99.999%	99.999%
Fibra Cia. Securitizadora de Créditos Imobiliários	Acquisition of Real Estate	99.958%	99.958%
Fibra Cia. Securitizadora de Créditos Financeiros	Acquisition of Financial Receivables	99.999%	99.999%
Fibra Projetos e Consultoria Econômica Ltda.	Consulting services and economic analysis	99.999%	99.999%
Credifibra S.A. - Crédito Financiamento e Investimento (b)	Loan Company	99.999%	99.900%

Description of the main consolidation procedures

- Elimination of the balances of assets and liabilities among the companies/entities;
- Elimination of equity interest, reserves and retained earnings of the subsidiary companies;
- Elimination of the balances of income and expenses, and of un realized gains, resulting from transactions between the companies/entities; e
- Identification of the amount of interest of the minority shareholders in the consolidated financial statements.

b. Statement of income

Income and expenses arising from asset and liability operations are recognized on an accrual s basis and take into account the effects of operations subject to price level restatement on a daily pro-rata basis. Asset and liability operations that incorporate exchange variations are price level restated according to the buy or sell rate of the foreign currency on the balance sheet dates according to the contractual provisions.

Income from loan operations is not accrued when the installment payments for the principal or charges are overdue for equal to or more than 60 days.

c. Cash and cash equivalents

These reflect cash and banks in local currency, foreign currency, interbank investments which settlement terms on the date of the Balance Sheet were fewer than 90 days and pose an insignificant risk of change in their fair values, which are used by the Bank to manage its short term commitments.

d. Interbank investments

These are valued at the cost of acquisition plus interest accrued up to the balance sheet dates, and when applicable, is adjusted to market value. Investments in foreign currency are shown at the cost of acquisition plus accrued income calculated on a daily pro-rata basis, and the foreign exchange variations are recorded up to the balance sheet dates.

e. Securities

These are classified into three categories: "trading securities", "securities available for sale" and "securities held to maturity". "Trading securities" are valued at their market value; with the adjustments to market value included in an appropriate income or expense account for the period. "Securities available for sale" are valued at their market value; with the adjustments to market value included in an appropriate account in shareholders' equity, net of tax effects, which are transferred to income in the period in which the securities are sold. Securities classified as "held to maturity" are valued at their cost of acquisition plus interest earned up to the balance sheet dates. Classification in this category is contingent upon the financial capacity of the institution to hold the securities to maturity and Management's decision to rule out any possibility of selling these securities.

f. Derivative financial instruments

According to Central Bank of Brazil Circular Letter 3082, derivative financial instruments are valued and recorded at market value and classified as either hedge or non-hedge. Hedge instruments are classified as: (i) "market risk hedge" or (ii) "cashflow hedge". The criteria for recording them are as follows: for derivative financial instruments which are not intended to be used as a hedge, as well as those classified as market risk hedge, adjustments to market value are recorded against an appropriate income or expense account for the period. For derivative financial instruments classified as "cash flow hedge," the effective portion of the hedge must be recorded and offset in a special account in Shareholders' Equity, and any ineffectiveness is recorded in an appropriate income or expense account for the period. In the event of derivative financial instruments which are intended to protect securities classified in the category "securities held to maturity", both the security and the derivative financial instrument are valued and recorded in compliance with the intrinsic contracted terms and are not recorded at market value. With the advent of the changes introduced by Central Bank Circular Letter 3150, this treatment is also given to derivative instruments traded in association with fund raising operations or fund investments, and market value may be disregarded under the terms therein specified.

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

g. Allowance for doubtful loans and other receivables

These provisions are recorded at an amount considered sufficient to cover any losses arising on their collection. The Central Bank of Brazil established regulations through Resolution 2682/99, which are based on risk analyses of clients with asset operations and past experience as well as specific sector or portfolio risks.

h. Assets not for own use

Goods received in lieu of payment are recorded in the account "Other assets" and include provisions recorded in an amount considered sufficient to cover any losses arising on their collection.

i. Investments

Interests held in subsidiaries are valued according to the equity method of accounting. The other investments are valued according to the cost of acquisition, price level restated up to December 31, 1995, less provisions for losses when applicable. The book balances of the entities located overseas were converted to Brazilian Reais, using the US foreign exchange rate on the closing date. For purposes of calculating the equity in net income and for consolidation purposes, these balances were adjusted to comply with accounting practices derived from Brazilian corporation law.

j. Property, plant and equipment, deferred charges and intangible assets

Depreciation of property, plant and equipment, amortization of deferred charges and intangible assets are calculated using the straight line method, according to the following annual rates: (i) property, plant and equipment: vehicles and computer system, 20%; other assets 10%; (ii) deferred charges: expenses for acquisition and development of computer software and reorganization and expansion expenses, 20% and leasehold improvements, according to the term of the rental; (iii) intangible: reflect the rights acquired that serve as incorporated assets devoted to the maintenance of entity or used for this purpose. The intangible assets having a defined useful life are generally amortized according to the straight line method throughout the period of the estimated economic benefit.

The goodwill on the purchase of investments, supported by expected realization of future results, is being amortized at the rate of 10% per annum and is tested, at least annually, for impairment.

k. Evaluation of the recoverable value

Beginning 2008, based on a review by the management, if the book values of the non-financial assets of the Bank, except other assets and tax credits, exceed their recoverable values, they are recognized as a loss of recoverable assets in income for the period.

l. Other current assets and long term receivables

These are shown at their cost values, including, when applicable, accrued income and price level restatement less the corresponding provisions for losses or adjustments to the realizable value.

m. Income and social contribution taxes (assets and liabilities)

Deferred income and social contribution taxes, calculated on tax losses, negative basis and temporary additions are recorded in "Other Receivables - Other". Tax credits on temporary additions are realized upon the use and/or reversal of the respective provisions on which they were formed. Tax credits on tax loss and on negative basis of social contribution tax are realized in accordance with the generation of taxable income.

Provision for income tax is established at the rate of 15% on taxable income, plus the additional percentage of 10% on the portion of taxable income that exceeds R\$ 240 per year, and includes the portion corresponding to fiscal incentives. Provision for social contribution is formed at the rate of 15% on adjusted accounting profit, pursuant to the current legislation.

n. Contingencies and legal obligations

Recognition, measurement and disclosure of contingent assets and liabilities and legal obligations are carried out according to the criteria defined in CMN Resolution 3535 and BACEN Circular Letter 3429:

- i. Contingent assets - Are not accounted for except upon the existence of a favorable ruling, for which no appeals are permitted, characterized as practically certain. Assets with chances of success considered as probable are disclosed in a note to the financial statements (Note 19).
- ii. Contingent liabilities - Are recorded in the accounting records when, in the opinion of management and of legal counsel, the chances of loss are probable and when the value of the liability can be estimated with sufficient accuracy. Assets with chances of success considered as probable are disclosed in a note to the financial statements when individually relevant and those classified as remote do not require a provision and do not have to be disclosed (Note 19).
- iii. Legal obligations - These are recognized and full provision is recorded in the balance sheet, regardless of the probabilities of success of the legal suit.

o. Current and long term liabilities

These are shown at the known values or at values that can be calculated and include charges and price level restatement or exchange variations incurred up to the balance sheet dates.

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

p. Accounting estimates

The preparation of the Financial statements in accordance with accounting practices adopted in Brazil requires that the Management uses its judgment when determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the residual value of premises and equipment, goodwill on investments, provision for doubtful loans, provision for devaluation of certain assets, deferred income tax and social contribution recorded in assets, provision for contingencies and valuation of securities and derivative financial instruments. The settlement of transactions involving these estimates may result in amounts different to those estimated due to the lack of precision inherent to the process for determining them. The Bank periodically reviews estimates and assumptions.

q. Law 11638/07

Initial adoption of the referenced Law, did not create any material impacts on the Bank's and Fibra Consolidated's financial statements, in view of the fact that the major changes imposed by the new legislation, which affected Bank operations had already been adopted by it owed to the already existing accounting regulations issued by BACEN. We have highlighted below the most important effects for the year:

- Analysis performed annually of the ability to recover the assets, to ensure that these assets were not registered in the accounting records at amounts in excess of the amount that could be recovered from use or sale;
- Treatment of the balance for capital reserves and allocation of retained earnings;
- The fixed asset accounts should include the rights the object of which are physical assets held for the purpose of maintaining the company's activities or exercised for this purpose, including those that arise from operations that transfer the benefits, risks and control over these assets to the company;
- Deferred assets should include pre-operational expenses and restructuring costs that will contribute, effectively, to increasing the results of more than one financial year and which do not refer exclusively to a reduction in costs or an increase in operational efficiency.

4. CASH AND CASH EQUIVALENTS

For the statements of cash flow, Cash and Cash Equivalents are comprised of:

	Banco Fibra S.A.		Fibra Consolidated	
	2010	2009	2010	2009
Cash and banks	29,430	31,062	37,158	33,982
Interbank investments	16,311	13,115	16,310	13,115
Foreign currency deposits	41,665	211,557	41,655	211,557
Total	87,406	255,734	95,123	258,654

5. INTERBANK INVESTMENTS

Interbank investments are as follows:

	Banco Fibra S.A.		Fibra Consolidated	
	2010	2009	2010	2009
Money market	630,446	4,659,748	630,446	4,659,748
Banked position	576,996	780,918	576,996	780,918
• Financial Treasury Bill - LFT	380,280	400,393	380,280	400,393
• National Treasury Bill - LTN	185,912	278,571	185,912	278,571
• National Treasury Notes - NTN	10,804	101,954	10,804	101,954
Financed position	53,450	3,877,872	53,450	3,877,872
• Financial Treasury Bill - LFT	23,042	800,265	23,042	800,265
• National Treasury Bill - LTN	21,205	870,817	21,205	870,817
• National Treasury Notes - NTN	9,203	2,206,790	9,203	2,206,790
Sold position	-	958	-	958
• National Treasury Bill - LTN	-	958	-	958
Interbank deposits	1,565,979	52,031	116,932	52,031
Foreign currency investments	41,655	211,557	41,655	211,557
Total	2,238,080	4,923,336	789,033	4,923,336

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

6. SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a. Classification of the portfolio of securities and derivative financial instruments, according to the business strategy

Banco Fibra S.A.				
	2010		2009	
	Cost value	Book value/ market	Cost value	Book value/ market
	180,798	181,811	814,216	906,294
Trading securities (1)				
Financial Treasury Bill - LFT	147,476	147,475	196,527	196,531
National Treasury Notes - NTN	3,152	3,200	164,393	164,512
National Treasury Bill - LTN	5,497	5,507	67,485	67,482
Fixed Income Private Securities	24,654	25,610	28,410	29,350
Shares	-	-	48,494	95,268
Euronotes and Commercial Papers	-	-	282,496	326,740
Quotas of investment funds	19	19	26,411	26,411
Securities available for sale (1)	610,927	721,163	268,578	269,134
National Treasury Notes - NTN	251,525	255,384	247,428	252,777
Shares	60,124	126,368	21,150	16,357
National Treasury Bill - LTN	33,565	33,622	-	-
Euronotes and Commercial Papers	264,266	303,590	-	-
Quotas of investment funds	1,447	2,199	-	-
Derivative financial instruments	112,007	166,397	211,209	159,123
Swap receivable differences	102,360	157,289	106,929	145,154
Other	9,647	9,108	104,280	13,969
Total securities portfolio	903,732	1,069,371	1,294,003	1,334,551

Fibra Consolidated				
	2010		2009	
	Cost value	Book value/ market	Cost value	Book value/ market
	354,771	355,784	832,948	879,317
Trading securities (1)				
Financial Treasury Bill - LFT	147,485	147,484	203,636	203,641
National Treasury Notes - NTN	3,152	3,200	164,393	164,512
National Treasury Bill - LTN	5,497	5,507	67,485	67,482
Fixed Income Private Securities	26,464	27,420	28,410	29,479
Shares	-	-	50,699	95,870
Euronotes and Commercial Papers	-	-	15,541	15,549
Quotas of investment funds	172,173	172,173	302,784	302,784
Securities available for sale (1)	361,084	432,520	269,990	269,684
National Treasury Notes - NTN	251,525	255,387	247,428	252,777
Shares	63,741	127,955	22,562	16,907
National Treasury Bill - LTN	33,565	33,622	-	-
Euronotes and Commercial Papers	10,806	13,357	-	-
Quotas of investment funds	1,447	2,199	-	-
Derivative financial instruments	9,648	63,877	117,146	69,104
Swap receivable differences	1	54,773	12,866	55,135
Other	9,647	9,104	104,280	13,969
Total securities portfolio	725,503	852,181	1,220,084	1,218,105

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

(1) The book/market value of the securities for the categories “Securities Available for Sale” and “Trading Securities” was calculated based on the following criteria: a) government securities and operations conducted on the futures, and options markets based on the pricing model described in Note 7; b) Publicly traded company stocks and forward operations guaranteed by these securities, according to the average quotation available from the last trading floor session of the month, or in the absence thereof, the most recent trading floor sessions published in the Daily Bulletin for each Exchange; the shares of closely-held companies are in accordance with their book value or that traded on the auction market for incentivated companies or based on a appraisal report issued by specialized companies; and c) Swaps, based on the notional values of each of the legs of the contracts, considering the cash flow discounted to the present value by the futures market interest rates calculated on the pricing model described in Note 7, in compliance with the terms of each contract.

(i) Comprised mainly of shares of receivables investment funds recorded in Credifibra S.A., Credito, Financiamento e Investimento.

According to Management's definition, Euronotes, Shares and Investment Fund Shares that were previously recorded in Trading Securities have been transferred to Securities available for sale on June 30, 2010, as they have not been traded.

On December 31, 2010 and 2009, the Bank did not have securities classified as held to maturity.

Criteria for the calculation of market values - The market values of securities and derivative financial instruments are calculated based on:

- Market prices or market agent quotations;
- Pricing methodology that utilizes as a basis the price determined by other financial instruments with similar characteristics, divulged by the BMF&BOVESPA S.A. - Securities, Commodities and Futures Exchange or by trade associations;
- Price models developed by management, which use mathematical models for the calculation of rates for intermediary periods.

(2) The effect of mark to market of securities classified as “available for sale”, net of tax effects, recorded in shareholders' equity amounts to R\$ 11,882 (R\$ 23,781 in 2009) in the Bank and R\$ 11,956 (R\$ 24,299 in 2009) in the consolidated.

b. Derivative financial instruments

Banco Fibra S.A. and its subsidiaries conducted operations with derivatives to attend its own needs and those of its clients, with respect to reducing exposure to market, currency and interest risks. Management of these risks is conducted through determining limits and establishing strategies for operations. Derivatives are recorded according to their nature and specific legislation in equity and/or income accounts. At December 31, 2010 and 2009, the market value of the derivative financial instruments is shown below:

DERIVATIVE FINANCIAL INSTRUMENTS

I - Asset position	Banco Fibra S.A.					
	2010			2009		
	Asset	Liabilities	Receivables	Asset	Liabilities	Receivables
CDI X DOLLAR	667,556	540,097	127,459	376,811	284,017	92,794
DOLLAR X CDI	259,166	232,347	26,819	395,445	343,086	52,359
IGPM X PRE	10,409	10,187	222	-	-	-
IPCA X PRE	81,550	80,856	694	-	-	-
IPCA X CDI	72,445	70,350	2,095	-	-	-
DOLLAR X PRE	-	-	-	946	938	8
PRE X DOLLAR	3,229	3,168	61	262,908	248,946	13,962
Other	9,047	-	9,047	-	-	-
Total market value	1,103,402	937,005	166,397	1,036,110	876,987	159,123
Amounts receivable calculated according to the operations value			112,007			211,209

	Fibra Consolidated					
	2010			2009		
	Asset	Liabilities	Receivables	Asset	Liabilities	Receivables
CDI X DOLLAR	311,141	286,199	24,942	17,640	14,865	2,775
DOLLAR X CDI	259,166	232,347	26,819	395,445	343,086	52,359
IGPM X PRE	10,409	10,187	222	-	-	-
IPCA X PRE	72,445	70,350	2,095	-	-	-
IPCA X CDI	81,551	80,856	695	-	-	-
DOLLAR X PRE	-	-	-	946	938	8
PRE X DOLLAR	3,229	3,168	61	262,908	248,946	13,962
Other	9,043	-	9,043	-	-	-
Total market value	746,984	683,107	63,877	676,939	607,835	69,104
Amounts receivable calculated according to the operations value			9,648			117,146

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

II - Liability position			Banco Fibra S.A.			
			2010		2009	
	Asset	Liabilities	Receivables	Asset	Liabilities	Receivables
CDI X DOLLAR	-	-	-	1,489	1,503	(14)
DOLLAR X CDI	1,062,917	1,245,950	(183,033)	939,835	1,055,821	(115,986)
IPCA X PRE	112,822	113,618	(796)	-	-	-
IPCA X CDI	-	-	-	50,013	50,150	(137)
DOLLAR X PRE	6,582	6,837	(255)	85,631	87,152	(1,521)
PRE X CDI	-	-	-	8,022	8,082	(60)
OTHER	-	12,892	(12,892)	541	546	(5)
Total market value	1,182,321	1,379,297	(196,976)	1,085,531	1,203,254	(117,723)
Payable amounts calculated according to the cost value			(184,667)			(147,179)

			Fibra Consolidated			
			2010		2009	
	Asset	Liabilities	Receivables	Asset	Liabilities	Receivables
CDI X DOLLAR	846,827	1,024,668	(177,841)	656,435	771,330	(114,895)
DOLLAR X CDI	112,822	113,618	(796)	-	-	-
IPCA X PRE	-	-	-	50,013	50,150	(137)
IPCA X CDI	-	-	-	1,489	1,503	(14)
DOLLAR X PRE	-	-	-	8,022	8,082	(60)
PRE X CDI	6,582	6,837	(255)	85,631	87,152	(1,521)
OTHER	-	12,891	(12,891)	540	580	(40)
Total market value	966,231	1,158,014	(191,783)	802,130	918,797	(116,667)
Payable amounts calculated according to the cost value			(180,123)			(144,772)

On December 31, 2010, the gains and losses earned and incurred in the year in regard to derivative financial instruments presented a net effect in the result of (R\$ 104,634) in Banco Fibra (R\$ 491,936, in 2009) and (R\$ 88,885) in Fibra Consolidated (R\$ 462,524, in 2009) and (R\$ 2,881) in shareholders' equity in Banco Fibra and Fibra Consolidated (R\$ 24,494 in 2009).

c. Securities and derivative financial instruments - Maturity terms

Banco Fibra S.A.		Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total 2010	Total 2009
Trading securities		20	5,574	14,664	3,365	158,188	181,811	906,294
Available for sale		285,855	113	343	-	434,852	721,163	269,134
Derivative financial instruments (assets)		484	125	14,137	5,576	146,075	166,397	159,123
Total		286,359	5,812	29,144	8,941	739,115	1,069,371	1,334,551
Derivative financial instruments (liabilities)		(8,564)	(430)	(146,672)	(6,702)	(34,608)	(196,976)	(117,723)

Fibra Consolidated		Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total 2010	Total 2009
Trading securities		172,173	5,574	14,664	3,365	160,008	355,784	879,317
Available for sale		287,444	113	343	-	144,620	432,520	269,684
Derivative financial instruments (assets)		483	125	9,340	358	53,571	63,877	69,104
Total		460,100	5,812	24,347	3,723	358,199	852,181	1,218,105
Derivative financial instruments (liabilities)		(8,563)	(430)	(146,672)	(1,510)	(34,608)	(191,783)	(116,667)

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

The total notional amounts of swap contracts recorded at CETIP (Clearing House for the Custody and Financial Settlement of Securities) at December 31, 2010 was R\$ 2,339,706 (R\$ 1,632,379 in 2009) in Banco Fibra and R\$ 1,900,996 (R\$ 1,030,627 in 2009) in the Fibra Consolidated, and contracts recorded at BM&FBOVESPA S.A. at December 31, 2010 was R\$ 256,700 (R\$ 540 in 2009) in Banco Fibra and Fibra Consolidated.

At December 31, 2010 the margins deposited in guarantee of the derivative financial instruments totaled R\$ 214,859 (R\$ 62,558 in 2009) for Banco Fibra S.A. and Fibra Consolidated.

d. Future and forward market operations

We present the operations performed in the futures and forward markets, which are recorded in the Banco Fibra S.A., with the notional amounts shown below:

Future and forward contracts	Notional amounts	
	2010	2009
NDF call	4,508	7,467
NDF put	(5,604)	-
Sold index	-	(8,994)
Commercial US Dollar Purchased	-	5,082
Commercial US Dollar Sold	(653,670)	(628,385)
Foreign Exchange Coupon - DDI Purchased	255,906	264,494
Foreign Exchange Coupon - DDI Sold	(104,470)	(39,306)
One day DI Purchase	995,317	7,562,532
One Day DI Sold	(4,307,287)	(665,432)
Option Dollar Purchased	69,875	66,500
Option IDI Purchased	30,454,000	-
Option Dollar Sold	(61,125)	(202,400)
Option IDI Sold	(30,457,000)	-

e. Cashflow hedge, market and investment risk

On December 31, 2010, there was a cashflow hedge and market risk linked to the DI and DDI swap and futures contracts having a reference value of R\$ 4,193,904 (R\$ 1,387,489 in 2009) and maturities that ranged from January/2011 to January/2014. The mark to market effect is recorded under shareholders' equity and corresponds to a debit for the amount of R\$ 4,986 (R\$ 7,867 in 2009), net of taxes. The market value of Time Deposits, Government Bonds and Deposits classified as hedge items is R\$ 3,807,675 (R\$ 970,951 in 2009).

Investments in the Grand Cayman branch are also hedged by BM&F future dollar investment.

The effectiveness of the "hedge" structures is measured by means of the market value of derivatives destined to "hedge" and instrument subject to "hedge". On December 31, 2010 these amounts were represented by R\$ 3,838,791 (R\$ 715,403 in 2009) in relation to derivatives and R\$ 3,807,675 (R\$ 970,951 in 2009) to the instrument subject to "hedge".

In view of the aforementioned, the effectiveness verified in the hedge portfolio on December 31, 2010 is in conformity with the standard established by the Central Bank of Brazil and we did not identify any ineffective portion to be accounted for during the year.

The above operations do not reflect overall exposure of Fibra to market risks, currency and interest rates, since they only include derivative financial instruments used as hedge.

7. RISK MANAGEMENT

With the continual evolution of markets and of the products and services offered by Banco Fibra, the Institution continually seeks excellence in its management and control of risks, which is always in line with best international practices.

Prior identification of the risks inherent to new or altered products/activities is performed by the Risk Control Area within the Products Committee, which evaluate all of the impacts prior to implementation.

The Risk Control area is composed of the Market Risk area, Liquidity Risk area, and Credit Risk area. Operating Risk is currently under the management of the Compliance area.

a. Market risk management

Market risk management of positions assumed by Banco Fibra uses a set of adequate controls for each portfolio. Trading portfolio includes VaR, Stress and CPV. VaR, that is currently calculated by the Parametric model (the Monte Carlo model is used in the options portfolio as well as in the trading portfolio when the options VaR surpasses 10% of total Trading VaR), which provides the expected loss for a given level of confidence of 99%, and simulation adopting the "Crash Scenario", which, considering extreme scenarios, evaluates the maximum potential loss from a portfolio and the distribution of the losses from each of the extremes adopted, by means of an analysis of the Vertices Concentration (CPV). While the Banking portfolio uses EVE (Economic Value of Equity), which consists of the impact on portfolio present value, considering the effect on fixed interest rates of the application of a holding period of 10 b.d.

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Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

The Institution permanently invests in the development of control systems and people, for the purpose of regularly monitoring risks. For this purpose, limits are monitored by means of risk measures (VaR, Stress, CPV, and EVE) and the results (Stop Loss and MA), and their evolution is presented in the market risk committee. The use of limits is accompanied by the Market Risk Area and disclosed, daily, to top management, the treasury area and internal audit. Top management is informed of any extrapolations and the explanations and the adjustment plans are approved by the relevant authority level within the Institution.

The Market Risk Committee also defines the criteria for including operations in the negotiation portfolio, based on hedge and negotiation strategies, and the procedures adopted in the event of the low liquidity of an operation or hedge are explained and documented in records.

All of this structure is described in the Institution's Market Risk Policy, which was approved by the Bank's top management (executive committee and board). The internal market risk management policy includes volume and results limits. To validate the systems a backtest is conducted periodically at least once a week. In addition to the policy, the institution also has a process guide which complements the process covered in the policy.

Risk is calculated through the risk system, which generates values that are validated by the market risk area. Curves and reference prices are calculated through the Market Risk system, which are validated by independent appraisers to guarantee data integrity. All methodologies used or possible changes are approved by Top Management and the Board of Directors.

Another core duty of the Risk Control area is to focus on meeting the regulations disclosed by BACEN on Basel, as well as the active participation in the Basel discussion panels set up by the Brazilian Federation of Bank Associations (FEBRABAN) and the Brazilian Bank Association (ABBC).

b. Liquidity risk management

For the purpose of managing liquidity risk exposure, the bank has adopted instruments to control cash flow and forecast needs or excess funds in a timely manner to enable it to implement preventive measures beforehand. These instruments include projected cash flow and simulations of payment events or renewal of operations.

Top management receives, daily, a map to accompany the liquidity position, as well as the minimum liquidity reserve, which is used as a reference for input/output of the liquidity contingency. Some of the control instruments used are defined below:

Control of cash position - Determination of changes in assets, funding and other operations on that date, and of available cash, at the opening and closing dates. The minimum liquidity reserve corresponds to the cash comfort level considered adequate for the management of assets and liabilities. The projection and evaluation of the minimum liquidity reserve is defined by the Assets & Liabilities Committee (ALCO), a group that meets every 30 days to define the strategies of assets and liabilities for the following periods.

Liquidity risk control - The liquidity level is monitored on a daily observing the maturity flows until maturity of the asset and liability portfolios lapse. In addition, ALCO performs monthly analyses of the mismatch of terms between assets and liabilities into brackets of terms (buckets), which define the alternatives for the management of the minimum cash level to be maintained by the Bank, compatible with the risk exposure resulting from the characteristics of its assets and liabilities, its capital ratio and market conditions. It is used as a parameter to control liquidity and to activate the Contingency Plan whenever any liquidity insufficiency risk has been identified;

Liquidity contingency plan - This management tool defines the actions and measures that should be taken when a short term liquidity projection indicates lower levels than the defined minimum level. In the event of a shortfall of funds and worsening of the financial market crisis, this plan encompasses a number of alternatives: external fund raising (by means of our strategic foreign shareholder); credit extension; sureties and guarantees; raising funds from parent group companies; decrease or even suspension of credit extension, until liquidity has been regularized and sale of the private securities portfolio.

c. Credit risk management

Management adopts as a basic premise for extending credit the capacity of the company to present an adequate cash flow, so as to enable normal continuity to its operations, complying with its credit line access capacity.

The levels from the credit decisions are attributed according to an authority policy, which considers the amount, period and guarantee for the operation. Each level represents a specific committee responsible for the credit decision and evaluation.

For retail operations, credit risk management aims to keep adequate controls to monitor default and avoid losses due to operational risks and frauds. In addition, it helps to develop the credit policy, intended to obtain the best analysis of the final customer (individual or legal entity).

For credit granting, in addition to the customer payment capacity, the location of the customer is also a key element, both to avoid fraud and for future collection in case of default. Approval is given by a system of anti-fraud rules, policy filters and a market scoring model, that evaluates the customers' profile and the amount of his/her income that is committed. The procedure for risk control analyzes, for each product, managerial reports on default per crop (granting month) or maturity, as well as the portfolio.

The credit risk unit is responsible for the analysis and macro monitoring of the loan portfolio, through sectorial concentration controls, RE commitment and quantitative evaluation of cases, imposed by investors and business partners. Credit risk controls, such as, for example, control over operating limits, monitoring of default and write-offs to losses allow the monitoring of the quality of the portfolio, so as to respond beforehand to possible problems that might occur with its clients, as well as the creation of subsidies to comply with regulatory requirements regarding the issue.

d. Operational risk management

Operational Risk consists of the chances of risks occurring due to flaws, deficiencies or inadequacy of internal processes, personnel and systems, or external events. This includes the legal risk related to the inadequacy or deficiency in contracts entered into by the Bank.

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Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

Banco Fibra, in order to have this type of risk mitigated and to adapt the Bank to the global market practices and to the regulations in the Brazilian financial market, established an internal control structure that ensures the permanent updating in the mapping of risks and controls, as well as the capture (on information) related to any flaw and/or loss in connection with an operational risk. This structure is composed of the Compliance Agents and also of the employees comprising the Operational Risk area, which reports to the Corporate Vice-presidency. These Agents also work as multipliers of the compliance management, operational risk and internal control culture.

Through continuous management and control work, the Operational Risk management structure is taking the necessary measures to meet the recommendations of the Basel New Capital Agreement, as set by schedule established by the Central Bank of Brazil. (The Bank) currently adopts the "Alternative Standardized" model for the allocation of capital and the (Bank's) goal is to be qualified for the "Advanced" model.

e. Internal validation

In line with best market practices, an Internal Validation Area was established within the Compliance structure. This action strengthens governance in risk control areas of the institution, making model validation independent from risk control operating areas. In validation, in addition to model qualitative and quantitative assumptions, integrity, applicability, formalization, documentation, communication, usage and approval by competent areas are verified.

8. LOAN PORTFOLIO

We present below the breakdown of loan operations of Fibra Consolidated:

a. Breakdown of operations - Consolidated

	2010		2009	
	RS	%	RS	%
Loans	6,947,338	88.1	4,459,933	80.7
Working capital and secured account	3,279,532	41.6	2,382,702	43.1
Retail portfolio - CDC / CP	652,662	8.3	506,842	9.2
Retail portfolio - Payroll loans	500,242	6.3	330,020	6.0
Vehicle portfolio (a)	1,358,426	17.2	369,273	6.7
Loans acquired - Other banks (c)	187,267	2.4	260,801	4.7
Resolution n.º 2770 repasses	185,062	2.3	133,293	2.4
Foreign currency financing (imports/exports)	139,197	1.8	92,312	1.7
BNDES (National Bank for Economic and Social Development) onlendings	521,857	6.6	327,153	5.9
"Vendor" and "Compror"	53,617	0.7	57,142	1.0
Other	22,739	0.3	395	-
Agriculture financing	46,737	0.6	-	-
Advances on exchange and export contract - ACC/ACE (b)	498,919	6.3	582,966	10.6
Other receivable	66,711	0.8	43,603	0.8
Total portfolio - loans extended	7,512,968	95.2	5,086,502	92.1
Guarantees and surety bonds provided - not honored	379,663	4.8	438,603	7.9
Total portfolio	7,892,631	100.0	5,525,105	100.0

(a) The balance refers to:

- Portfolio of financing of vehicles in the amount of R\$ 931,543 (R\$ 96,566 in 2009);
- Portfolio of credit rights acquired from Banco Paulista S.A. by Fundo de Investimento de Direitos Creditórios (GVI FIDC Financeiro) whose balance on December 31, 2010 is R\$ 149,492 (R\$ 272,707 in 2009). A Credifibra S.A. is the exclusive quotaholder of the fund GVI FIDC Financeiro, which is presented in this note only for composition of Fibra Consolidated's total loan portfolio, and,
- The portfolio acquired from Banco Sofisa S.A. in March 2010, currently amounts to R\$277,391.

(b) Advances on Exchange and Export Contracts - ACC/ACE are recorded in the balance sheet under "Other liabilities - Foreign exchange portfolio", plus income receivable on advances granted that are in the "Other receivables - Foreign exchange portfolio" account. For the purposes of presentation of this note, the two amounts are presented as "Loan portfolio".

(c) Refers to the portfolio of CDC - Direct Consumer Credit Operations, Payroll Loans and Vehicles from other banks, with co-obligation of grantors.

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b. Breakdown per sector of activity

	2010		2009	
	R\$	%	R\$	%
Industry	2,063,857	26.1	2,213,637	40.0
Commerce	1,389,039	17.6	806,238	14.6
Services	842,755	10.7	497,097	9.0
Rural	153,259	1.9	121,050	2.2
Housing	498,739	6.3	258,492	4.7
Public sector	10,425	0.1	40,539	0.7
Financial intermediaries	611,026	7.7	291,248	5.3
Individuals	2,323,531	29.6	1,296,804	23.5
Total portfolio	7,892,631	100.0	5,525,105	100.0

c. Concentration of main debtors

Within interbank market operations

	2010		2009	
	R\$	% of portfolio	R\$	% of portfolio
Main debtor	277,391	3.5%	35,204	0.6%
10 largest debtors	687,396	8.7%	290,697	5.3%
20 largest debtors	974,734	12.3%	530,411	9.6%
50 largest debtors	1,573,677	19.9%	1,093,695	19.8%
100 largest debtors	2,288,052	29.0%	1,698,369	30.7%

Without interbank market operations

	2010		2009	
	R\$	% of portfolio	R\$	% of portfolio
Main debtor	51,206	0.7%	139,006	2.5%
10 largest debtors	386,214	5.2%	404,703	7.3%
20 largest debtors	648,657	8.8%	648,556	11.7%
50 largest debtors	1,217,647	16.8%	1,234,201	22.3%
100 largest debtors	1,894,850	26.4%	1,864,724	33.8%

d. Breakdown by maturity

	2010		2009	
	R\$	%	R\$	%
Overdue	117,788	1.5	116,956	2.1
Falling due in 30 days	1,404,722	17.8	966,267	17.5
Falling due in 31 to 60 days	938,347	11.9	814,851	14.7
Falling due in 61 to 90 days	689,094	8.7	546,626	9.9
Falling due in 91 to 180 days	1,464,081	18.5	1,054,423	19.1
Falling due in 181 to 360 days	1,396,854	17.7	1,003,070	18.2
Falling due over 360 days	1,881,745	23.9	1,022,912	18.5
Total portfolio	7,892,631	100.0	5,525,105	100.0

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Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

9. CLASSIFICATION OF RECEIVABLES BY RISK LEVEL AND ALLOWANCE FOR DOUBTFUL ACCOUNTS (CONSOLIDATED)

We demonstrate below the risk levels of loans, segregating:

- i. Retail operations, characterized by direct consumer lending (CDC), personal loans and personal loans with payroll-consigned payment of installments.
- ii. Wholesale operations, characterized by loans and financing originally intended for legal entities, as well as acquisitions of loans to individuals acquired and backed by assignee financial institutions.

a. Loan portfolio, according to risk levels - Retail operations (i)

Risk level	% Minimum	Performing loans		Non performing loans			Total loans	Total Provision (1)
		R\$	Provisions	Ovedue	Falling due	Provisions		
AA	0.0%	426,884	-	-	-	-	426,884	-
A	0.5%	1,830,772	9,154	-	-	-	1,830,772	9,154
B	1.0%	-	-	13,015	91,742	1,047	104,757	1,047
C	3.0%	-	-	9,445	50,331	1,793	59,776	1,793
D	10.0%	-	-	5,585	18,074	2,366	23,659	2,366
E	30.0%	-	-	5,193	9,819	4,504	15,012	4,504
F	50.0%	-	-	4,824	7,072	5,948	11,896	5,948
G	70.0%	-	-	4,288	4,104	5,874	8,392	5,874
H	100.0%	-	-	22,302	8,182	30,483	30,484	30,483
Total in 31/12/2010		2,257,656	9,154	64,652	189,324	52,015	2,511,632	61,169
% of portfolio		28,6	-	0,8	2,5	-	31,9	-
Total in 31/12/2009		1,107,344	4,144	35,872	62,981	29,907	1,206,107	34,051
% of portfolio		20.0	-	0.6	1.2	-	21.8	-

b. Loan portfolio, according to risk levels - Wholesale operations (ii)

Risk level	% Minimum	Performing loans		Non performing loans			Total loans	Total Provision (1)
		R\$	Provisions	Ovedue	Falling due	Provisions		
AA	0.0%	710,656	-	-	-	-	710,656	-
A	0.5%	1,164,189	5,821	-	-	-	1,164,189	5,821
B	1.0%	2,321,707	23,217	-	-	1	2,321,707	23,218
C	3.0%	620,945	18,628	322	4,425	143	625,692	18,771
D	10.0%	44,147	4,415	-	3,162	316	47,309	4,731
E	30.0%	2,362	709	410	1,410	546	4,182	1,255
F	50.0%	4,938	2,469	1,092	-	546	6,030	3,015
G	70.0%	27,098	18,969	337	54	274	27,489	19,243
H	100.0%	30,617	30,617	59,270	4,196	63,466	94,083	94,083
Total in 31/12/2010		4,926,659	104,845	61,431	13,247	65,292	5,001,337	170,137
% of portfolio		62,4	-	0,8	0,2	-	63,4	-
Total in 31/12/2009		4,198,008	84,242	81,174	39,816	61,732	4,318,998	145,974
% of portfolio		76.0	-	1.5	0.7	-	78.2	-

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c. Total loan portfolio, in accordance with risk levels

Risk level	% Minimum	Performing loans		Non performing loans			Total loans	Total Provision (1)
		R\$	Provisions	Ovedue	Falling due	Provisions		
AA	0.0%	1,137,540	–	–	–	–	1,137,540	–
A	0.5%	2,994,961	14,975	–	–	–	2,994,961	14,975
B	1.0%	2,321,707	23,217	13,015	91,742	1,048	2,426,464	24,265
C	3.0%	620,945	18,628	9,767	54,756	1,936	685,468	20,564
D	10.0%	44,147	4,415	5,585	21,236	2,682	70,968	7,097
E	30.0%	2,362	709	5,603	11,229	5,050	19,194	5,759
F	50.0%	4,938	2,469	5,916	7,072	6,494	17,926	8,963
G	70.0%	27,098	18,969	4,625	4,158	6,148	35,881	25,117
H	100.0%	30,617	30,617	81,572	12,377	93,949	124,566	124,566
Total portfolio		7,184,315	113,999	126,083	202,570	117,307	7,512,968	231,306
Guarantees provided		379,663	–	–	–	–	379,663	–
Total in 31/12/2010		7,563,978	113,999	126,083	202,570	117,307	7,892,631	231,306
% of portfolio		95.8	–	1.6	2.6	–	100.0	–
Total in 31/12/2009		5,305,352	88,386	117,046	102,797	83,128	5,525,105	180,025
% of portfolio		96.0	–	2.1	1.9	–	100.0	–

d. Provision for doubtful loans - Consolidated

	12/31/2010		
	Retail	Wholesale	Total ⁽²⁾
Beginning balance	34,051	145,974	180,025
Write-offs against provision	(47,613)	(45,341)	(92,954)
Provision recorded for the period	75,324	75,665	150,989
Reversal of additional provision	(2,350)	(6,161)	(8,511)
Acquisition ⁽¹⁾	6,400	–	6,400
Final balance	65,812	170,137	235,949

(1) Refers to provision of the portfolio acquired from Validata, see Note 25f.

(2) As of December 31, 2010 the balance of provisions for loans and other receivable is composed in the following manner: provision for loans in the amount of R\$173,513, provision for other receivable in the amount of R\$57,792 and provision on loans sold with recourse in the amount of R\$4,643, the latter of which recorded in the account “Provision for other contingent liabilities”.

	12/31/2009		
	Retail	Wholesale	Total ⁽²⁾
Beginning balance	48,928	116,939	165,867
Write-offs against provision	(53,976)	(63,227)	(117,203)
Provision recorded for the period	43,153	112,517	155,670
Additional provision	(4,054)	(20,255)	(24,309)
Final balance	34,051	145,974	180,025

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The total loans renegotiated during the year was R\$ 42,908 (R\$ 35,340 in 2009). This type considers customers that have entered into debt acknowledgment. The total recovery of loans written off from prior periods was R\$ 47,133 - Bank and Credifibra (R\$ 9,561 in 2009) in Fibra Consolidated.

The provision to cover losses arising from credits has been established according to Brazilian Monetary Council (CMN) Resolution 2682. The minimum percentages for each risk band comply with the general rule, although higher levels are used within each risk band based on the judgment and experience of the Management.

e. Loans assigned

In the year ended December 31, 2010, the amount of R\$72,957, referring to Payroll Loans, was granted with coobligation to financial institutions, generating income of R\$9,731, net of taxes; and R\$149,559, referring to CDC Vehicle portfolio, generating income of R\$8,984, net of taxes. Also, the amount of R\$12,768 was granted without coobligation to a financial institution for the financial value of R\$4,100. This transaction had no impact on results, as the loss had been provisioned.

In the year ended December 31, 2009 there were no assigned credits.

10. SHAREHOLDING INTEREST IN SUBSIDIARIES

								12/31/2010
Companies	Interest held by the Bank	Shareholders' equity	Net income (loss) for the year	Equity in earnings (losses) of the subsidiary 31/12/2010	Equity in earnings (losses) of the subsidiary 31/12/2009	Book value of the investment 31/12/2010	Book value of the investment 31/12/2009	Goodwill ⁽⁴⁾ 31/12/2010
Fibra Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda.	99.999%	46,140	(11,793)	(11,793)	1,875	46,140	57,761	-
Fibra Projetos e Consultoria Econômica Ltda.	99.999%	4,324	(1,001)	(1,001)	(982)	4,324	5,325	-
Fibra Cia. Securitizadora de Créditos Financeiros ⁽³⁾	99.999%	10,334	181	181	(11,956)	10,334	10,152	-
Fibra Cia. Securitizadora de Créditos Imobiliários	99.958%	13,738	(436)	(436)	1,754	13,732	14,168	-
Credifibra S.A. - Crédito, Financiamento e Investimento ⁽⁵⁾	99.900%	717,659	10,394	10,394	58	717,659	7,051	-
GVI Promotora de Vendas Ltda. ⁽¹⁾	99.900%	-	(26,942)	(26,942)	5,480	-	390,155	27,231
Credifibra S.A. ⁽²⁾	100.000%	-	-	-	44	-	-	-
Total		-	-	(29,597)	(3,727)	792,189	484,612	27,231

(1) In September 2009, Banco Fibra capitalized GVI Promotora de Vendas Ltda., with the amount of R\$330,000, for the purpose of: i) acquisition of all the shares of Paulicred Promotora de Negócios Ltda., company specialized in the prospection of vehicle financing businesses, for the amount R\$70,356, and goodwill amounting to R\$69,287 based on expected future earnings, and amortization estimated over 10 years, and ii) acquisition of receivables from vehicle financing and payroll loans of Banco Paulista S.A., through the Receivables Investment Fund (GVI FDIC Financeiro) that on December 31, 2010 represents the amount of R\$236,107, both executed by GVI Promotora de Vendas Ltda. As of December 30, 2009, GVI Promotora de Vendas Ltda. purchased from Banco Fibra S.A. all the 901,000 common shares issued by the company Credifibra S.A. for R\$ 18,121, recording goodwill of R\$ 17,142 on this date which is based on expected future earnings. In May 2010, Banco Fibra capitalized GVI Promotora de Vendas Ltda., in the amount of R\$ 67,000;

(2) As approved at a General Unitholders' Meeting held on December 28, 2009, Paulicred Promotora de Negócios Ltda. and Credifibra S.A. were merged into GVI Promotora de Vendas Ltda.;

(3) As approved by an Extraordinary General Meeting held on December 30, 2009, a capital reduction of R\$ 30 million was carried out through the cancellation of 30,000,000 common shares.

(4) Goodwill on acquisition of GVI Promotora de Vendas e Serviços Ltda was recorded based on future earnings and is presented in the Intangible assets group;

(5) As approved by an Extraordinary General Meeting held on December 30, 2010, GVI Promotora de Vendas e Serviços Ltda was fully merged into Credifibra S.A. - Crédito, Financiamento e Investimento. As a result of the merger, the capital of Credifibra, went from R\$307,000 to R\$709,426 (Note 25 g).

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11. AGENCIES ABROAD

Assets	Intercompany balances		Third party balances	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Cash and banks	21	21	8,047	4,789
Interbank investments	88,309	-	-	28,730
Securities and derivative financial instruments	292,600	311,178	10,990	15,561
Loans	415,435	786,824	80,324	110,185
Other receivables	-	-	1,996	-
Other assets	-	-	2,449	3,835
Liabilities	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Demand deposits	-	-	4,621	8,325
Time deposits	-	26,119	32,005	52,914
Repurchase agreements	-	-	-	1,664
Acceptance and endorsements	-	-	237,022	491,311
Borrowings and repass borrowings	-	-	97,160	139,032
Derivative financial instruments	-	-	-	1,361
Other liabilities	-	-	224,374	246,338

The result recorded by Cayman branch, in the year, was R\$ 22,952 (R\$ 82,995 in 2009).

12. Interbank, demand, time deposits and others

Maturity terms

	Banco Fibra S.A.				Fibra Consolidated			
	Demand and other deposits (1)	Time deposits	Interbank deposits	Total deposits	Demand and other deposits (1)	Time deposits	Interbank deposits	Total deposits
Without maturity	177,950	-	-	177,950	169,221	-	-	169,221
Up to 30 days	-	550,082	131,033	681,115	-	547,430	123,211	670,641
31 to 60 days	-	309,399	158,677	468,076	-	307,733	62,741	370,474
61 to 90 days	-	396,683	15,141	411,824	-	396,683	15,141	411,824
91 to 180 days	-	855,431	154,279	1,009,710	-	850,622	116,134	966,756
181 to 360 days	-	792,929	255,351	1,048,280	-	738,813	253,947	992,760
Over 360 days	-	1,497,755	230,240	1,727,995	-	1,497,045	109,967	1,607,012
Total in 31/12/2010	177,950	4,402,279	944,721	5,524,950	169,221	4,338,326	681,141	5,188,688
Total in 31/12/2009	136,173	2,969,635	709,350	3,815,158	130,547	2,919,163	580,876	3,630,586

(1) Classified to current liabilities without considering the average historic turnover.

Of the total portfolio of term deposits recorded at December 31, 2010 the amount of R\$ 108,112 (R\$ 284,662 in 2009) refers to operations that include a clause for possible anticipated liquidation, and are recorded in the current portion.

At December 31, 2010, Banco Fibra included in its portfolio of term deposits, the amount of R\$ 1,293,743 (R\$ 596,314 in 2009), which referred to operations with Special Guarantees from the Credit Guarantor Fund (FGC).

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13. MONEY MARKET REPURCHASE COMMITMENTS

This refers to securities sold in the market carrying repurchase commitments, backed by government or third party securities according to the following terms:

	Up to 30 days	Total in 31/12/2010	Total in 31/12/2009
Banco Fibra and Fibra Consolidated	53,460	53,460	3,977,113

14. ACCEPTANCES AND ENDORSEMENTS - CONSOLIDATED

This refers to issuances of agricultural bonds and securities abroad, based on a program of total issues of up to US\$ 1 billion. Banco Fibra S.A., through its branch located in Grand Cayman, has already made three issues in Dollars with rates of 6.5% to 8% per annum, and in 2007, two issues in Reais with rate the of 90.7% of CDI + 1.625% and 90% of CDI per annum, as follows:

a. Obligations from the Issuance of Agribusiness Credit Notes

	Up to 30 days	31 to 90 days	91 to 180 days	Total in 31/12/2010	Total in 31/12/2009
Banco Fibra and Fibra Consolidated	152,113	101,177	57,623	310,913	176,923
Total	152,113	101,177	57,623	310,913	176,923

b. Notes and bonds issued abroad

	Up to 30 days	31 to 90 days	91 to 180 days	Over 360 days	Total in 31/12/2010	Total in 31/12/2009
Series in RS	–	2,401	4,101	129,835	136,337	491,311
Series US\$	427	2,989	570,262	–	573,678	135,099
Total	427	5,390	574,363	129,835	710,015	626,410

15. FOREIGN BORROWINGS AND DOMESTIC REPASS BORROWINGS

a. Foreign Borrowings

These are represented by funds in foreign currency on which financial charges are levied i.e., LIBOR plus interest ranging from 0.30% and 4.25% per annum or pre-fixed interest from 4.05% to 7.0% per annum, in the following terms:

	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total in 31/12/2010	Total in 31/12/2009
International Finance Corporation - IFC	897	–	2,784	58,700	241,622	304,003	405,013
Other	87,367	232,101	210,878	158,703	104,837	793,886	750,680
Total	88,264	232,101	213,662	217,403	346,459	1,097,889	1,155,693

b. Domestic repasses

Domestic onlendings, represented by funds transferred by BNDES and FINAME, adjusted for inflation by TJLP (long-term interest rate) and interest from 1.00% to 11.00% p.a, as follows:

	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 360 days	Total in 31/12/2010	Total in 31/12/2009
Banco Fibra S.A and Fibra Consolidated	30,419	54,882	86,715	184,824	207,576	564,416	324,596

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16. FOREIGN EXCHANGE PORTFOLIO

Banco Fibra S.A. and Fibra Consolidated			
12/31/2010			
	Interbank	Clients	Total
Assets	(543)	654,632	654,089
Purchase exchange pending settlement	–	546,434	546,434
Rights on exchange sale	–	113,658	113,658
(-) Advances in local currency	(543)	(21,888)	(22,431)
Income receivable	–	16,428	16,428
Liabilities	112,682	84,187	196,869
Liabilities for exchange purchases	–	566,678	566,678
Sold exchange pending sales settlement	112,682	–	112,682
(-) Advances on exchange contracts	–	(482,491)	(482,491)

Banco Fibra S.A. and Fibra Consolidated			
12/31/2009			
	Interbank	Clients	Total
Assets	143,792	565,331	709,123
Purchase exchange pending settlement	–	541,781	541,781
Rights on exchange sale	143,861	8,941	152,802
(-) Advances in local currency	(69)	(9,155)	(9,224)
Income receivable	–	23,764	23,764
Liabilities	144,099	25,618	169,717
Liabilities for exchange purchases	–	575,984	575,984
Sold exchange pending sales settlement	144,099	3,521	147,620
(-) Advances on exchange contracts	–	(553,887)	(553,887)

17. BREAKDOWN OF OTHER ACCOUNTS WITH SIGNIFICANT BALANCES

a. Current assets and long term receivables - Other receivables - Other:

Banco Fibra	12/31/2010	12/31/2009
Guarantee deposits	64,234	59,238
Recoverable taxes	29,610	76,327
Receivables from purchase of assets	46,859	4,127
Retention program (Note 25 d)	57,735	–
Advances for suppliers	2,357	1,497
Debtors from purchase of assets	2,319	–
Loan operations to be processed (i)	13,657	–
Other	12,953	18,359
Total	229,724	159,548

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Fibra Consolidated	12/31/2010	12/31/2009
Guarantee deposits	104,178	114,532
Recoverable taxes	62,357	57,701
Receivables from purchase of assets	60,236	18,788
Retention program (Note 25 d)	61,492	-
Advances for suppliers	2,716	1,553
Real estate receivables	11,087	18,788
Debtors from purchase of assets	2,319	-
Loan operations to be processed (i)	18,915	-
Receivables - credit assignments (ii)	29,912	-
Other	19,106	2,363
Total	372,318	213,725

(i) It refers to unprocessed receipt transactions

(ii) Refer to an amount retained from the vehicle portfolio Granting, which will be settled as installments are received.

b. Prepaid expenses

Prepaid expenses refer to commissions paid to service providers resulting from the prospecting of retail operations and are controlled by contract. In case of portfolio granting, the corresponding commission expense is written off against results. The allocation of this expense to net income for the period is executed in accordance with the term of the contracts, as follows:

Banco Fibra	12/31/2010	12/31/2009
Commission - payroll loan	22,367	24,173
Commission - CDC	1,315	-
Expenses from placing securities overseas	8,225	3,587
Discounts in financing and importing	1,700	-
Consulting and advisory services	2,780	3,240
Total	36,387	31,000

Fibra Consolidated	12/31/2010	12/31/2009
Commission - payroll loan	22,367	24,173
Commission - CDC	38,632	31,425
Expenses from placing securities overseas	8,225	3,587
Discounts in financing and importing	1,780	-
Consulting and advisory services	2,780	-
Total	73,784	59,185

c. Current liabilities - Interbank accounts - Interbank repasses

This refers to the lines supported by Brazilian Central Bank Resolution 2770 repassed by Fibra Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. to Banco Fibra S.A., at normal market rates and used to peg foreign currency repasses.

d. Current liabilities and long term liabilities - Other liabilities - Other

This refers mainly to the provisions for contingent liabilities, which totaled R\$ 30,880 in Banco Fibra S.A. (R\$14,514 in 2009) and R\$ 40,826 in Fibra Consolidated (R\$ 15,423 in 2009), provision for payments to be made of R\$ 29,314 and Payroll Loans Receivable of R\$ 26,257 in Banco Fibra S.A. (R\$ 13,577 in 2009) and R\$ 68,275 in Fibra Consolidated (R\$ 18,591 in 2009), Certificates of Real Estate Receivables of R\$ 8,679 (R\$ 11,002 in 2009) in Fibra Consolidated, Retail Operations to Settle for the amount of R\$ 35 in Banco Fibra S.A. and Fibra Consolidated (R\$ 10,830 in 2009) and payable amounts due to investment acquisition of R\$ 43,559 (R\$ 43,718 in 2009) in Fibra Consolidated.

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e. Other administrative expenses

The account "Other administrative expenses" in the income statement refers to:

Banco Fibra S.A.	12/31/2010	12/31/2009
Transport	1,782	2,106
Amortization	7,104	4,050
Depreciation	1,818	1,576
Rents	4,804	3,871
Data processing	14,389	11,100
Communications	8,970	6,261
Outsourced services	12,715	59,604
Financial system services	13,139	10,839
Publicity and advertising expenses	1,509	1,385
Travelling expenses	1,442	1,419
Specialized technical services	45,322	12,041
Other	7,731	6,965
Total	120,725	121,217

Fibra Consolidated	12/31/2010	12/31/2009
Transport	3,405	2,114
Amortization	18,671	5,162
Depreciation	2,865	2,394
Rents	7,657	5,460
Data processing	19,486	13,894
Communications	22,955	10,687
Outsourced services	11,493	11,612
Financial system services	14,892	10,926
Publicity and advertising expenses	5,556	2,826
Travelling expenses	4,712	3,715
Specialized technical services	28,843	13,268
Other	16,163	9,502
Total	156,698	91,560

f. Other operating income

The account "Other Operating Income" in the statements of income, refers mainly to:

Banco Fibra S.A.	12/31/2010	12/31/2009
Interest on TCR operation	3,487	-
Amnesty of Law 11941/09	-	3,571
Escrow deposit adjustment	404	2,013
Adjustment of taxes to be offset	3,170	1,946
Cayman foreign exchange variation	-	873
Other	4,246	1,680
Total	11,307	10,083

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Fibra Consolidated	12/31/2010	12/31/2009
Credit assignment income	-	2,688
Interest on TCR operation	3,487	-
Amnesty of Law 11941/09	-	8,888
Escrow deposit adjustment	1,257	5,015
Adjustment of taxes to be offset	4,826	2,490
Cayman foreign exchange variation	-	873
Other	4,482	1,982
Total	14,052	21,936

g. Other operating expenses

The account "Other Operating Expenses" in the statements of income, refers mainly to:

Banco Fibra S.A.	12/31/2010	12/31/2009
Reintegration of goods	379	604
Civil contingencies	12,074	1,258
Provision for contingent liabilities	7,673	6,526
Legal indemnity costs	1,553	2,156
Collection fines	570	111
Money lending insurance	7,795	1,463
Sureties expenses	1,387	1,491
Amortization of goodwill	1,993	6,173
CDC operations expense	26	595
Other	8,240	2,597
Total	41,690	22,974

Fibra Consolidated	12/31/2010	12/31/2009
Reintegration of goods	462	615
Civil contingencies	11,125	1,438
Provision for contingent liabilities	8,148	7,874
Legal indemnity costs	1,572	2,198
Collection fines	585	111
Foreign exchange variation	-	183
Money lending insurance	7,824	1,511
Sureties expenses	1,397	1,538
Discounts	1,004	-
Amortization of goodwill	1,993	6,173
CDC operations expense	26	595
Expenses for real estate credit operations	1,489	1,063
Other	-	3,329
Total	35,625	26,628

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h. Non-operating result

This item refers mainly to the gains and losses in the sale of permanent assets, assets not for own use and the recording of provisions for potential losses on assets of this nature for the amount of R\$ 3,273 in Banco Fibra and Fibra Consolidated, and losses from frauds from CDC/loan - payroll operations for the amount of R\$ 207 in Banco Fibra and R\$ 232 in Fibra Consolidated, and result in the sale of investments (shares and quotas) in the amount of R\$ 67 in Banco Fibra and Fibra Consolidated.

18. TAXES

a) Breakdown of expenses with taxes and contributions

I - Income Tax and Social Contribution for the period are as follows

	12/31/2010	12/31/2009
Income before income taxes and profit sharing	31,073	131,336
Payment of interest on own capital	(22,248)	(51,285)
Profit sharing	(12,334)	(52,590)
Income before income tax and social contribution	(3,509)	27,461
Charges (Income tax and social contribution) pursuant to the current rates (Note 4I)	1,404	(10,984)
Additions and exclusions in the fiscal base:	(16,398)	(42,347)
Tax credits not activated during the period	(287)	(503)
IRRF overseas	(6,920)	5,772
Overseas losses	(2,875)	(32,366)
Non deductible expenses - permanents	6,819	3,145
Equity in income of subsidiaries and associated companies	(9,229)	(2,398)
Other	(3,906)	(15,997)
Total income tax and social contribution for the year	(14,994)	(53,331)

II - Tax expenses are mainly represented by PIS, COFINS and ISS.

b) Tax credits

I - As of December 31, 2010 and 2009, the Bank had income and social contribution tax credits, calculated according to the prevailing rates as shown below. These credits are recorded under assets as "Other Receivables - Other" considering the estimates for realization in light of forecasts for taxable income based on a technical study.

As of December 31, 2010 and 2009, there are no tax credits that have not been recorded from income tax losses or the negative social contribution base in Banco Fibra and Fibra Consolidated.

	Banco Fibra S.A.		
	Balance at 12/31/2009	Constitution/ (Realization)	Balance at 12/31/2010
Total tax credits from temporary differences	178,982	4,980	183,962
Provision for doubtful loans	125,122	467	125,589
Provision for profit sharing	–	2,304	2,304
Provision for labor contingencies	2,424	1,281	3,705
Provision for contingencies	33,609	17,206	50,815
Foreign income	1,912	(1,912)	–
Provision for devaluation of goods not for own use	440	1,107	1,547
Other	15,475	(15,473)	2
Tax losses and negative basis of social contribution tax	70,778	(6,687)	64,091
Social contribution tax - M. P. n° 2158-35 issued 24/08/2001	9,762	(6,571)	3,191
Total tax credits	259,522	(8,278)	251,244
Deferred tax liabilities	(95,740)	41,028	(54,712)
Net tax credits	163,782	32,750	196,532
Net tax credits on shareholders' equity	21.6%		
Net tax credits on assets	1.4%		

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

	Banco Fibra S.A.		
	Balance at 12/31/2008	Constitution/ (Realization)	Balance at 12/31/2009
Total tax credits from temporary differences	186,268	(7,286)	178,982
Provision for doubtful loans	103,232	21,890	125,122
Provision for labor contingencies	2,235	189	2,424
Provision for contingencies	26,862	6,747	33,609
Foreign income	34,277	(32,365)	1,912
Provision for devaluation of securities and investments	18,858	(18,858)	-
Provision for devaluation of goods not for own use	440	-	440
2008 Long-term interest rate provision	-	15,475	15,475
Other	364	(364)	-
Tax losses and negative basis of social contribution tax	86,483	(15,705)	70,778
Social contribution tax - M. P. nº 2158-35 issued 24/08/2001	9,762	-	9,762
Total tax credits	282,513	(22,991)	259,522
Deferred tax liabilities	(67,186)	(28,554)	(95,740)
Net tax credits	215,327	(51,545)	163,782
Net tax credits on shareholders' equity	28.4%		
Net tax credits on assets	2.2%		

	Fibra Consolidated		
	Balance at 12/31/2009	Constitution/ (Realization)	Balance at 12/31/2010
Total tax credits from temporary differences	208,178	29,188	237,366
Provision for doubtful loans	132,343	19,697	152,040
Profit sharing	-	3,693	3,693
Provision for labor contingencies	2,424	1,811	4,235
Provision for contingencies	37,869	21,601	59,470
Foreign income	1,912	(1,912)	-
Provision for devaluation of securities and investments	17,604	(1,334)	16,270
Provision for devaluation of goods not for own use	530	1,107	1,637
Other	15,496	(15,475)	21
Tax losses and negative basis of social contribution tax	86,868	(12,382)	74,486
Social contribution tax - M. P. nº 2158-35 issued 24/08/2001	9,761	(6,571)	3,190
Total tax credits	304,807	10,235	315,042
Deferred tax liabilities	(95,784)	41,261	(54,523)
Net tax credits	209,023	51,496	260,519
Net tax credits on shareholders' equity	27.34%		
Net tax credits on assets	1.8%		

	Fibra Consolidated		
	Balance at 12/31/2008	Constitution/ (Realization)	Balance at 12/31/2009
Total tax credits from temporary differences	206,891	1,287	208,178
Provision for doubtful loans	103,322	29,021	132,343
Provision for labor contingencies	2,234	190	2,424
Provision for contingencies	33,717	4,153	37,870
Foreign income	34,277	(32,365)	1,912
Provision for devaluation of securities and investments	32,424	(14,821)	17,603
Provision for devaluation of goods not for own use	530	-	530
Other	387	15,109	15,496
Tax losses and negative basis of social contribution tax	102,290	(15,422)	86,868
Social contribution tax - M. P. nº 2158-35 issued 24/08/2001	9,761	-	9,761
Total tax credits	318,942	(14,135)	304,807
Deferred tax liabilities	(67,186)	(28,598)	(95,784)
Net tax credits	251,756	(42,733)	209,023
Net tax credits on shareholders' equity	36.10%		
Net tax credits on assets	3.0%		

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

II - As of December 31, 2010, based on a technical study which considered past realization and future profitability forecasts, we present below the annual forecast of realization of tax credits on timing differences, tax losses and negative basis of social contribution tax, and their respective present values. To calculate the present value of the tax credits, the companies utilized as a funding cost the SELIC Rate projected year by year for the next 10 years; deducting the tax impact of IRPJ and CSLL at the rates in force on the balance sheet date.

	Banco Fibra S.A.	Fibra Consolidated
Year to be realized	Temporary differences	Temporary differences
2011	20,858	27,512
2012	20,638	27,396
2013	22,453	29,331
2014	23,381	30,397
2015	25,482	32,657
2016	28,003	35,360
2017	31,028	38,595
2018	28,762	33,271
2019	31,283	36,069
2020	19,356	24,454
Total em 31/12/2010	251,244	315,042
Present value	181,320	220,922

19. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS - TAX AND SOCIAL SECURITY

Banco Fibra and its subsidiaries are involved in legal suits and administrative processes arising during the normal course of operations concerning issues of a civil, labor, tax and social security nature.

a. Contingent assets

Are not accounted for except upon the existence of a favorable ruling, for which no appeals are permitted, characterized as practically certain. The most significant are: (i) COFINS (Tax for Social Security Financing) - R\$ 25,601 and PIS - R\$ 4,934: petition for restitution of values paid from July 2001 to June 2006, which exceed the calculation on the basis of Complementary Law 7/70 and in view of the unconstitutionality of the expansion of the calculation base provided in Law 9718/98; (ii) administrative processes for the amount of R\$ 23,075.

b. Provisions of a labor and civil nature

The Banco Fibra and Fibra consolidated, based on the information provided by their legal counsel and on a review of the pending legal matters, which involve suits calling for indemnity of material losses and damages, especially arising from the collection of debts, has established provisions for all suits, regardless of the amount and status of said suits, using the internal calculation criterium. In relation to labor suits, based on prior experience related to amounts demanded and in accordance with the status of each one of the processes, the Company has established a provision in an amount deemed sufficient to cover estimated losses involved in the pending suits.

c. Legal obligations and contingent liabilities classified as probable losses

The legal obligations and contingent liabilities classified as probable losses have been fully accrued. The most relevant issues are:

- COFINS and PIS - Petitions payment of the contributions beginning June 2006 on the basis of the calculation stipulated by Complementary Law 7/70, in and in view of the unconstitutionality of the enlargement of the calculation basis provided in Law 9718/98. Banco Fibra and Fibra Asset Management obtained a favorable court decision to recognize the right to the payment without the enlargement of the calculation basis imposed by Art. 3 of Law 9718/98, and did not file an Appeal against the decision contrary to the revocation of the total exemption from the contributions. After the decision, Banco Fibra S.A. and Fibra Asset Management DTVM Ltda., who were benefited by the preliminary injunction, started to pay the contribution without the enlargement of the calculation basis imposed by Law 9718/98. The lawyers working on this process understand that the loss probability to Banco Fibra S.A and Fibra Asset Management DTVM Ltda. is very low.

d. Contingent liabilities classified as possible losses

The contingent liabilities classified as possible losses are monitored by the institution and are based on reports issued by its legal counsel in relation to each one of the legal measures and administrative processes. Therefore, according to prevailing regulations, the contingencies classified as possible losses have not been recorded in the accounting records. a) R\$ 27,001 for ISS (Services tax) collection in several periods and by several municipalities in Brazil on leasing operations, since the same tax had been collected in the city in which the now defunct company was located; b) R\$ 13,894 for CPMF from the leasing company, claiming the same treatment as financial institutions; c) R\$ 14,298 from assessments raised by municipals, charging service tax (ISS) on various accounts, based on the argument that they refer to income from services provided; d) R\$ 10,501 for IRPJ and CSLL for deducting losses from assignment of doubtful debt operations; e) R\$ 3,074 for a nullification claim for an assessment raised for IRPJ for 1991 and f) R\$ 517 - Administrative processes (ISS on leasing operations mercantile/ISS on banking services/CSLL and IRPJ - compensation of losses - incorporation).

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

e. Movement of the provision for legal claims

	Fibra Consolidated		
	12/31/2009 Beginning balance	Movement	12/31/2010 Final balance
Civil and labor			
Civil suits	9,361	20,997	30,358
Labor suits	6,062	4,688	10,750
Total	15,423	25,685	41,108
	Fibra Consolidated		
	12/31/2009 Beginning balance	Movement	12/31/2010 Final balance
Tax - legal obligation			
CSLL	86	–	86
INSS Education salary	744	4	748
Finsocial	1,161	–	1,161
ISS	199	–	199
PIS Law 9718	13,443	4,643	18,086
Cofins Law 9718	77,865	28,208	106,073
Total	93,498	32,855	126,353

f. Program for Lump Sum Payment or Installment Payment of Federal Taxes - Law 11941/09

Banco Fibra and its subsidiaries enrolled with the program for installment payment and lump sum payment of tax debts, which grants amnesty for debts managed by the Federal Revenue Secretariat and the National Treasury Legal Department, introduced by Law 11941/09. Under this program, it is possible to pay in a lump sum or in installments the debts overdue up to November 30, 2008, consolidated by the company in default, with suspended payment or not, owed to the Federal Government or not, taken on a stand-alone basis, even when a tax collection action has already been filed, or which have been enrolled in a previous installment payment program cancelled for nonpayment.

The main proceedings included in this program are:

- i) CSLL Isonomy - Lodged to suspend the CSLL requirement applicable to financial institutions at rates higher than those applicable to other legal entities in view of the disregard to the constitutional principle of isonomy.
- ii) PIS – requested the discontinuation of the administrative collection action filed as a result of the offsetting of credits recorded from 1996 to 1998, referring to the calculation bases introduced by Constitutional Amendments 10/96 and 17/97.
- iii) Administrative Proceedings - refer to a provision for Income Tax and Social Contribution calculated based on the expenses for write-off to losses of loan operations disallowed by the Federal Revenue Service.

20. SUBORDINATED DEBT ELIGIBLE FOR CAPITAL

At December 31, 2010, the total balance of issues in subordinated debt, duly homologated by the Central Bank of Brazil, amounted to R\$ 394,634 (R\$ 399,482 in 2009) in issued securities, of which the amount of R\$ 263,930 (R\$ 312,517 in 2009) can be calculated as eligible for Level II Regulatory Capital, as presented below:

Date of operation	Date of maturity	Remuneration	12/31/2010		12/31/2009	
			Balance	Capital level II	Balance	Capital level II
5/18/2007	5/18/2012	CDI + 1.28%	115,341	23,068	103,757	41,502
10/30/2007	10/30/2012	CDI + 1.08%	27,402	5,480	24,699	9,880
3/24/2008	3/25/2013	CDI + 1.38%	27,516	11,007	24,728	14,837
10/14/2005	3/2/2016	PRÉ + 7.5%	51,215	51,215	53,542	53,542
11/16/2009	11/16/2016	PRÉ + 8.5%	173,160	173,160	192,756	192,756
Total			394,634	263,930	399,482	312,517

21. SHAREHOLDERS' EQUITY

a. Capital

In an Extraordinary General Meeting held on September 30, 2010, it was decided that there should be a Capital Increase of the Company of R\$ 100,000, by means of issue of 231,650,284 new shares, of which R\$ 92,075 paid-up and R\$ 7,925 not yet paid-up.

The Extraordinary Shareholders' Meeting held on November 30, 2010 decided to pay in as capital an amount of R\$ 7,925, through the issuance of 18,359 common shares, with capital going from R\$ 706,461 to R\$ 806,461.

These operations were homologated by the Brazilian Central Bank on February 15, 2011.

Notes to the Financial Statements

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Capital is now constituted by 1,882,508,714 shares, of which 1,816,431,825 are common shares and 66,076,889 are preferred shares, all of them nominative and with no par value. Each common share corresponds to 1 (one) vote in Annual Shareholders' Meetings, and preferred shares have no voting rights, but the following preferences and advantages are ensured: (i) right to participate in profit distributions under the same terms as ordinary shares; (ii) priority in reimbursement of capital at no premium; and (iii) right to be included in the public offer of shares, arising from the sale of the controlling interest or the cancellation of the company's registration as a public corporation, or discontinuity of the segment from the Level I list with Bovespa (except if to another segment from the Bovespa list), guaranteeing dividends at least equal to those for ordinary shares from the controlling block.

b. Reserves

Legal reserve

This is mandatory based on 5% of net income for the period, until reaching 20% of realized capital stock, or 30% of capital plus capital reserves. After this limit, allocation is no longer mandatory.

c. Dividends and interest on own capital

The shareholders are entitled to receive mandatory dividends of not less than 25% (twenty five percent) of net profits for the calendar year, every year, after deductions provided for in the By-laws and in compliance with that contained in the Brazilian Corporation Law. The amount paid or credited as equity earnings according to relevant legislation can be construed as mandatory dividends and incorporating such amount to the amount of dividends distributed by the Company for all legal purposes. Intermediary and interim dividends must at all times be credited and acknowledged as advances on mandatory dividends.

22. RELATED PARTY TRANSACTIONS

a. Related party transactions

The transactions carried out between related parties are disclosed to comply with Resolution 3750 of the National Monetary Council (CMN) of June 30, 2009. These transactions are performed under the usual market values, terms, rates and conditions prevailing on their respective dates, as described below:

	Assets Liabilities	Income (expenses)	Assets Liabilities	Income (expenses)
	12/31/2010	12/31/2010	12/31/2009	12/31/2009
Interbank deposits				
Credifibra S.A. - Crédito, Financiamento e Investimento	1,449,047	88,160	-	-
Securities and derivative financial instruments				
Fibra Asset Management DTVM Ltda	5,192	26,168	400,155	20,190
Other receivables				
Fibra Asset Management DTVM Ltda	20	-	747	-
Credifibra S.A. - Crédito, Financiamento e Investimento	5,785	-	23	-
Deposits				
Fibra Asset Management DTVM Ltda	5,192	26,168	(133,505)	(2,303)
Credifibra S.A. - Crédito, Financiamento e Investimento	(198,737)	(4,301)	-	-
Elizabeth S.A.	-	-	(10,155)	(1,018)
Fibra Cia. Securitizadoras de Créditos Imobiliários	(9,848)	(786)	(5,337)	(4,243)
Fibra Cia. Securitizadora de Créditos Financeiros	(2,331)	(214)	(2,917)	(293)
Fibra Projetos e Consultoria Econômica Ltda	(100)	(9)	(398)	(47)
GVI Promotora de Vendas Ltda	-	-	(21,963)	(1,580)
Credifibra S.A.	-	-	(4)	(48)
Interbank repasses				
Fibra Asset Management DTVM Ltda.	283,985	21,831	-	-
Other liabilities				
Fibra Asset Management DTVM Ltda.	(292,600)	(26,788)	-	-
Derivative financial instruments				
Fibra Asset Management DTVM Ltda.	(102,748)	(21,966)	-	-
Associated companies of Parent Group				
CFL Participações S.A.	(1,329)	(191)	(759)	(104)
Cia. de Gás do Ceará - CEGAS	(5,102)	(1,043)	(6,942)	(1,043)
Cia. Siderúrgica Nacional	-	(1,233)	(25,460)	(686)
Cia. Sul Riograndense de Imóveis	(6,369)	(733)	(9,413)	(724)
CIPLA Serviços e Empreendimentos Imobiliários Ltda.	(4,142)	(417)	(2,605)	(269)
COTESUL Participações Ltda.	(419)	(47)	(375)	(80)
Fazenda Santa Otília Agropecuária Ltda.	(7,491)	(698)	(6,114)	(550)
Fibra Empreendimentos Imobiliários S.A.	(272)	(113)	(2,338)	(608)

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	Ativo Passivo	Receita (Despesa)	Ativo Passivo	Receita (Despesa)
	31/12/2010	31/12/2010	31/12/2009	31/12/2009
Fibra Experts Emp. Imobiliários Ltda.	(47,033)	(2,375)	(12,884)	(669)
Pinhal Administração e Participações Ltda.	(4,859)	(370)	(2,478)	(393)
Rio Purus Participações S.A.	(4,267)	(463)	(5,222)	(73)
Taquari Participações S.A.	(9,251)	(335)	(2,564)	(621)
Transnordestina Logística S.A.	(17,967)	(2,209)	(74,208)	(4,499)
Vicunha Açós S.A.	(27,485)	(2,599)	(19,982)	(1,055)
Vicunha Agropecuária S.A.	(1,185)	(261)	(4,284)	(296)
Vicunha S.A.	(5,505)	(128)	(16)	(120)
Vicunha Siderurgia S.A.	(31,166)	(2,441)	(10,128)	(9,538)
Vicunha Steel S.A.	(1,003)	(94)	(448)	(87)
Vicunha Textil S.A.	(25)	(1,745)	(84,208)	(8,707)
Clube de Investimento KOKUREN	-	-	(1,938)	(315)
Empresas no Exterior	-	-	(226)	-
Majority shareholders and key management personnel	(75,541)	(7,325)	(21,136)	(2,901)
Interbank accounts				
Fibra Asset Management DTVM Ltda.	-	-	(281,613)	79,972
Borrowings and repass borrowings				
IFC	440,339	46,682	(405,015)	146,153
Other liabilities				
Fibra Asset Management DTVM Ltda.	-	-	(21)	-
GVI Promotora de Vendas Ltda.	-	(21,334)	(6,410)	(49,838)

b. Remuneration of the key personnel of management

The Bank's directors are remunerated through Director Compensation or salaries when registered under the CLT regime, which are presented in the personnel expenses account.

The breakdown of the fees paid to the key personnel of management in the period is as follows:

	12/31/2010	12/31/2009
Fixed remuneration		
Management ⁽¹⁾	6,180	6,971
Variable remuneration		
Management ⁽¹⁾	847	12,308
Total	7,027	19,279

(1) Represented by the directors appointed pursuant the the Bylaws of Banco Fibra.

Banco Fibra does not have post-employment benefit plans, employment termination benefits, other long-term benefits or share-based compensation.

In the retention program, management was entitled to the amount informed in note 25 d.

23. FUND MANAGEMENT

Fibra Consolidated is responsible for the management of a number of investment funds and portfolios, of which net assets totaled R\$ 768,598 at December 31, 2010 (in 2009, R\$ 842,425).

24. OPERATIONAL LIMITS

Basel agreement

Financial institutions must maintain a minimum shareholders' equity of 11% of its consolidated assets weighted according to degree of risk plus percentages of the swap credit risk over gold exposure and liabilities referred to under foreign exchange fluctuation and interest rate variations, according to the regulations and instructions issued by BACEN.

As from July 1, the calculation of the Basel ratio has changed. Pursuant to the terms of the New Capital Accord (Basel II).

On December 31, 2010 and 2009, the Bank was within this operations limit as shown below:

	12/31/2010	12/31/2009
Reference equity (PR)	1,052,777	1,098,457
Required Reference Equity (PRE)	(907,574)	(682,063)
Amount corresponding to the PBAN ⁽¹⁾	(22,048)	(30,023)
Margem	123,155	386,371

(1) Interest rate market risk of banking portfolio.

On December 31, 2010 and 2009, the Required Shareholders' Equity according to the prevailing regulations was equal to 12.8% (in 2009, 17.7%).

Notes to the Financial Statements

Years ended December 31, 2010 and 2009 (IN THOUSANDS OF REAIS)

25. SUPPLEMENTARY INFORMATION

a. Guarantees and surety bonds

Responsibility of the Bank for guarantees, surety bonds and collateral extended to third parties, on December 31:

	12/31/2010	12/31/2009
Surety Bonds - Financial legal entities	51,879	12,316
Surety Bonds - Individuals and non-financial legal entities	290,000	424,271
Loans opened for imports	37,784	2,016
Total	379,663	438,603

b. Employee benefits

The Bank offers its employees the following benefits: life insurance, health insurance, food voucher, meal ticket and transport voucher. None of these benefits are considered an integral part of the salary.

The Bank did not contribute to private pension or complementary plans in the years ended 2010 and 2009.

c. Profit sharing - Employees

The Bank has its own model of payment of Profit and Gain Sharing, with criteria and parameters established in a specific plan filed at the Bankers' Union. The amount of profit share paid or provisioned during the year ended December 31, 2010 was R\$ 17,232 (R\$ 32,887, in 2009).

d. Retention program

Considering the scenario of good opportunities for the financial market in the coming years, the maintenance of internal economic stability, economic growth of the country and with the purpose of keeping its human capital, the Executive Board decided to adopt a retention bonus compensation model. This program pays the amounts in two installments, with first installment by December 31, 2010 and the second installment by February 29, 2012, retention to be held for no less than 24 months and formalized through a contract between employer and employee. Amounts contracted on December 31, 2010 represent R\$57,735 in Banco Fibra and R\$61,492 in Fibra Consolidated, with Management entitled to R\$31,426 in Banco Fibra and R\$32,063 in Fibra Consolidated.

e. Insurance contract

The Bank has insurance for specified risks with basic coverage for fire, lightning, explosion or implosion - building, machinery, furniture and fixtures, electrical damage, electronic equipment, business interruption as a result of the basic coverage (for the period of 6 months), loss or payment of rent (6 month period), expenses with re-composition of records and documents and civil liability for business establishments. The maximum amount of coverage is R\$ 67,000 and the period of coverage extends up to March 2011.

f. Acquisitions

On March 30, 2010, Banco Fibra, through Promotora de Vendas GVI Promotora de Vendas Ltda, purchased all of the shares issued by SOFCRED Promotora de Vendas Ltda. for R\$120,000, amount paid on May 14, 2010. Subsequently, Sofcred changed its name to GVCRED Promotora de Vendas e Serviços Ltda. The goodwill of R\$27,231 was based on future expected earnings and estimated amortization over 10 years.

On September 16, 2010, Banco Fibra, through its credit company Credifibra S.A. - Crédito, Financiamento e Investimento acquired all of the shares issued by Validata Meios de Pagamento Ltda., with no liens or encumbrances. The amount paid for this acquisition is R\$20,367.

g. Mergers

(3) As approved by an Extraordinary General Meeting held on December 1, 2010, GVI Promotora de Vendas e Serviços Ltda was fully merged into Credifibra S.A. - Crédito, Financiamento e Investimento. As a result of the merger, Credifibra's capital was increased by R\$402,426, and capital went from R\$307,000 to R\$709,426, through the issuance of 397,250 common shares, all nominative and with no par value.

h. Intangible assets

As of December 31, 2010, goodwill is recorded in intangible assets, as follows:

Banco Fibra:	
GVI Promotora de vendas Ltda.	27,231
Total	27,231
Fibra Consolidated:	
GVI Promotora de vendas Ltda.	27,231
Credifibra	14,654
Paulicred	62,359
GVCred	117,639
Total	221,883

Audit Committee Report

Introduction:

Pursuant to its Internal Rules and Corporate Governance practices, it is incumbent upon the Committee to ensure the quality and effectiveness of the controls and the compliance of the Fibra Conglomerate operations and businesses with all legal provisions, and to furnish the results to the Board of Directors, including information on the evaluations presented by the Internal and the External Auditors. The analyses of the Committee were based on the information received from Management, Accounting, External Auditing, Internal Auditing, the parties responsible for managing risks and internal controls, and its own evaluations, derived from direct observation.

It is the duty of Management to determine and implement the information systems that produce the financial statements of the companies of which the Conglomerate is comprised, in keeping with corporate law, accounting practices and the rules and standards of Comissão de Valores Mobiliários (the Brazilian Securities Commission), Conselho Monetário Nacional (the National Monetary Council) and Banco Central do Brasil (the Brazilian Central Bank).

Management is also responsible for the ongoing improvement of processes, policies and control procedures, to foster an environment suitable for managing the risks, operations and systems of the Institution.

KPMG Auditores Independentes is the auditing firm responsible for examining the financial statements and for issuing an opinion on their compliance with accounting principles. Additionally, it produces a report with recommendations for the improvement of accounting procedures and internal controls.

Internal Auditing focuses on evaluating the quality of the processes and the effectiveness of the internal controls and of the risk management activities, providing the Committee with a critical view of both.

Activities conducted under the scope of its duties during this period:

Activities were conducted to evaluate the integrity and quality of the financial statements.

The monitoring of the activities of the organization to align its control structure with the requirements of the International Finance Reporting Standards – IFRS continue to fall within the scope of the elements monitored.

Evaluation of the effectiveness of the internal control systems:

It is the understanding of the Committee that the Internal Controls System is continuously improved and integrated with the risk management and Corporate Governance processes. Furthermore, the ongoing development of the Control System helps to strengthen the culture of the group's personnel and partners, reiterating the commitment of the institution to maintaining sound and continuous growth.

The Committee has evaluated the effectiveness of the internal controls system positively, given the activities implemented and those that are under way. The Institution also maintains a conservative posture with regard to undertaking risks and therefore its perennial growth strategy encompasses compatible strengthening of the control structure.

Thus, as a result of such work, the following activities were conducted:

- Improvement of the internal controls structure of the Accounting Area, by means of an internal review of processes, controls, interfaces and systems, including the prioritization of the project of spreadsheet review and standardization.
- Execution of a joint project with an external consulting firm regarding the processes of the Accounting, Control, and Risk Areas in order to improve control practices.
- Institutional training on IFRS - International Finance Reporting; Banco Fibra prioritized corporate training activities targeting management, to help with the convergence process.
- Continuous strengthening of the governance structure, of which the highlight was the creation of a dedicated committee focused on accounting issues.
- Strengthening of the Internal Auditing team to expand accounting and auditing coverage via indicators.

The scope of the work of KPMG - Auditores Independentes mainly covered the following:

- Mapping and evaluating the risk of errors in the accounting statements, connected with the strategies of the organizations held by the group.
- Evaluation of the use of specialists in Systems Auditing.
- Execution of limited review procedures for the purpose of issuing IFTs and ITRs.
- Report on the evaluation of the quality and suitability of the Internal Controls System.

Internal Auditing, based on the planning of its activities, focuses on the priority business cycles, auditing processes centered on risks with the use of market methodology. The opportunities for improvement identified were submitted to the respective areas, whereas the recommendations were monitored by the Internal Controls Committee and the Board of Directors.

Evaluation of the quality of accounting recommendations for the respective periods, with emphasis on the application of the accounting practices adopted and on compliance with the applicable standards and rules:

The Audit Committee has been monitoring the measures related with the project of restructuring the Accounting Area and the improvement of the respective controls.

São Paulo, March 15, 2011

AUDIT COMMITTEE

Maércio Soncini

Glauro Cavalcante Lima (Qualified Member)

Independent auditors' report

To
The Management and Shareholders of
Banco Fibra S.A.
São Paulo - SP

We have audited the individual and consolidated financial statements (Consolidado Econômico Financeiro - CONEF) of Banco Fibra S.A., identified as "Banco Fibra S.A." and "Fibra Consolidated", respectively, 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 notes, comprising a summary of significant accounting policies as well as the summary of the significant accounting practices and other explanatory notes.

Responsibility of management for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by Central Bank of Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those 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 in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements of the Bank in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the individual and consolidated financial statements

In our opinion, the individual and consolidated aforementioned financial statements (Consolidado Econômico Financeiro - CONEF) present fairly, in all material respects, the financial position of Banco Fibra S.A., and the consolidated financial position of the Bank and its subsidiaries as of December 31, 2010, the 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 Central Bank of Brazil.

Emphasis of matter

The individual and consolidated financial statements for the year ended December 31, 2009 are being re-submitted with adjusted balances, as mentioned in note 2.

Other matter - Statements of added value

We have also examined the individual and consolidated statements of added value of Banco Fibra S.A. for the year ended at December 31, 2010, whose presentation has been carried out in a spontaneous manner by the Bank. These statements were submitted to the same audit procedures previously described and, in our opinion, these supplementary statements are adequately presented, in all material respects, in relation to the basic financial statements taken as a whole.

São Paulo, February 18, 2011



KPMG Auditores Independentes

CRC 2SP014428/O-6

Original report in Portuguese signed by

Giuseppe Masi

Accountant CRC 1SP176273/O-7

Luciana Liberal Sâmia

Accountant CRC 1SP198502/O-8

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ricardo Steinbruch – Chairman
Clarice Steinbruch – Board member
Elisabeth Steinbruch Schwarz – Board member
José Antônio Miguel Neto – Independent Board member
Luiz Nelson Guedes de Carvalho – Independent Board member
Bernard Camille Paul Menciaer – Independent Board member
Ricardo Duarte Caldeira – Appointed by IFC Board member

EXECUTIVE OFFICERS

Antonio Francisco de Lima Neto – Chief Executive Officer
Maercio Soncini – Executive Vice-President of Wholesale Business
Marcio Ronconi de Oliveira – Executive Vice-President of Retail Business
Glauro Cavalcante Lima – Executive Corporate Vice-President
Luiz Maurício Jardim – Executive Director of Treasury and Funding
Carlos Alexandre Ribeiro Bicudo – Director of Credit
Luciana Buchmann Freire – Legal Director
Simone Schmidt Belleza Colombino – Middle Market Commercial Director

ADDRESSES

BANCO FIBRA S/A

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ZIP code 04543-000 – Chácara Itaim
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São Bernardo do Campo (SP)
Rua Rio Branco, 427 – Rooms 6.008 and 7.008
ZIP code 09710-090 – Centro
Phones: 55(11) 4337-1136, 4123-3511

Campinas (SP)
Avenida Selma Parada, 201 – Room 402 – Galeria Office Park
ZIP code 13091-904 – Jardim Madalena
Phones: 55(19) 3207-3391, 3207-1266

Guarulhos (SP)
Rua Morvan de Figueiredo, 73 - Room. 23 - 2nd floor
ZIP code 07090-010 - Centro
Phone: 55(11) 2443 1264

Ribeirão Preto (SP)
Av. Presidente Vargas, 2.001 - Room 84 - 8th floor
ZIP code 14020-260 - Jardim Califórnia
Phones: 55(16) 3911-7844 / (16) 3913-4404

Belo Horizonte (MG)
Avenida Getúlio Vargas, 1300 – Room 1907 – 19th floor
ZIP code 30112-021 – Savassi
Phone: 55(31) 3078-6700

Curitiba (PR)
Alameda Dr. Carlos de Carvalho, 417 – Room 804
ZIP code 80410-180 – Centro
Phone: 55(41) 3324-1261

Fortaleza (CE)
Avenida Santos Dumont, 1.789 – Room 301
ZIP code 60150-160 – Aldeota
Phone: 55(85) 3261-1520 / Fax: (85) 3261-2420

Rio de Janeiro (RJ)
Praia de Botafogo, 228 - Room 1402 - ala B - 14th floor
ZIP code 22250-040 - Centro
Phone: 55(21) 2109-6700 / 2109-6708

Recife (PE)
Rua Antônio Lumack do Monte, 128 - Room 604 and 605 - 6th floor
ZIP code 51020-350 - Boa Viagem
Phone: 55(81) 3326-4215

Porto Alegre (RS)
R. Furriel Luiz Antonio de Vargas, 250 - Room 404
ZIP code 90470-130 – Bela Vista
Phone: 55(51) 3333-1480

Goiânia (GO)
Avenida 136, 960 – 17th floor – Setor Marista
ZIP code 74180-040
Phone: 55(62) 3091-1298

Cuiabá (MT)
Avenida Historiador Rubens de Mendonça, 1894
ZIP code 78050-000 – Jd. Aclimação
Phone: 55(65) 3052-1478

Salvador (BA)
Av. Tancredo Neves, 1632 - Rooms 910 and 911
ZIP code 41820-020 - Salvador
Phone: 55(71) 3341 9753

CREDIFIBRA

Customer service - individuals

24h a day, 7 days a week (including service for hearing - or speech - impaired clients)

Customer service - Organizations

Hours: Monday to Saturday, from 8:00 a.m. to 8 p.m.

Capital cities: 4007.1747

Other locations: 0800.604.0484

CREDIFIBRA

In December 2009, the Brazilian Central Bank authorized Banco Fibra to open its finance firm, CREDIFIBRA S.A., - CRÉDITO, FINANCIAMENTO E INVESTIMENTO S/A. Since then, all Banco Fibra retail credit operations previously conducted by GVI Promotora de Vendas e Serviços Ltda have been concentrated in CREDIFIBRA. One of the main requirements of this undertaking was opening CREDIFIBRA branches in the towns where GVI operated.

CREDIFIBRA branches established by December 2010

ADDRESSES:

Head office
Alameda Santos, 1787 - 7th floor
ZIP code 01419-002 - São Paulo

Belo Horizonte (MG)
Av. Brasil 1.666 - 4th floor
ZIP code 30140-003 - Funcionários

Campinas (SP)
Avenida Selma Parada, 201 - Room 402 - Galeria Office Park
ZIP code 13091-904 - Jardim Madalena

Curitiba (PR)
Rua Marechal Deodoro, 630 - 2nd floor - Cj 207
ZIP code 80010-912 - Centro

Florianópolis (SC)
Rua Domingos André Zanine 277 - 9th floor - room 911
ZIP code 88117-200 - Campinas

Goiânia (GO)
Av. Goiás, 315 - 4th SI 401/402/403
ZIP code 74005-010 - Setor Central

Porto Alegre (RS)
Rua dos Andradas, 1001, loja 101 - 17th floor - rooms 1701 and 1702
ZIP code 90020-007 - Centro

Ribeirão Preto (SP)
Rua Couto Magalhães, 210 - 1st floor - room 6
ZIP code: 14025-690 - Alto da Boa Vista

Rio de Janeiro (RJ)
Av. Rio Branco, 80 - 4th and 5th floor
ZIP code: 20040-070 - Centro

São José do Rio Preto
Rua Marechal Deodoro da Fonseca, 3131 - 5th floor - room 51/53
ZIP code: 15010-070 - centro

CREDIFIBRA branches in the process of being opened on December 31, 2010 (documentation being processed by the appropriate government bodies)

Bauru (SP)
Rua José Ferreira Marques, 1045 - 1st floor - room 11
ZIP code: 17012-200 - Cidade Universitária

Belém (PA)
Rua Antônio Barreto, 130 - rooms 1604/1606/1608
ZIP code: 66055-050 - Umarizal

Brasília (DF)
SIA/SUL, Trecho 3, Lotes 625/695 - room 402 A
ZIP code: 71200-030 - Guará

Caxias do Sul (RS)
Rua Carlos Giesen, 1297 - room 505
ZIP code: 95084-220 - Exposição

Cuiabá (MT)
Av. Historiador Rubens de Mendonça, 2254 - rooms 308 and 309
ZIP code: 78065-050 - Jardim Aclimação

Fortaleza
Av. Dom Luiz, 176 - room 1304 and 1305
ZIP code: 60160-230 - Adeola

Joiville
Rua Dona Francisca, 260 - 9th floor - room 902
ZIP code: 89201-250 - Centro

Juiz de Fora (MG)
Av. Rio Branco, 2390 - 7th floor - rooms 703, 704
ZIP code: 36010-012 - Centro

Manaus (AM)
Rua Rio Içá, 480 - room 102 - Conj. Vieira Alves
ZIP code: 69053-100

Maringá (PR)
Av. São Paulo, 172 - 14th floor - rooms 1408/1410
ZIP code: 87013-908 - Centro

Recife (PE)
Av. Agamenon Magalhães, 2.936 rooms 101 and 102
ZIP code 52020-000 - Espinheiro

Salvador (BA)
Av. Tancredo Neves, 1.632 - Torre Sul - rooms 301/302/303 and 304
ZIP code 41820-020 - Caminho das Árvores

São José dos Campos (SP)
Av. Dr. João Guilhermino, 261 - room 54 - 5th floor
ZIP code: 12210 - 131 - Centro

Uberlândia (MG)
Av. Floriano Peixoto, 615 - rooms 2101/2102 and 2103
ZIP code 38400-102 - Centro

Vitória (ES)
Av. João Batista Parra, 673 - room 1802-A
ZIP: 29052-123 - PRAIA DO SUA

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