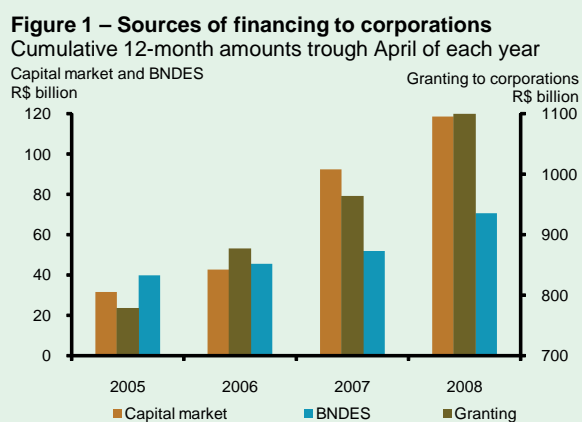


Non earmarked Corporate Credit – Recent Evolution

The demand for corporate credit was intensive in 2007 and in the early months of 2008, a performance justified by the diverse liquidity instruments available on the market. The upturn in credit activity, expressed in the growth of operations related to capital market, to the National Bank of Economic and Social Development (BNDES) system and to the banking credit with non earmarked resources, mirrored, mainly, the effects of the Brazilian economy's growth cycle on the economic agents' expectations, stimulating consumers' income commitment and entrepreneurs' decisions on investment expansion.



Increased demand for non earmarked resources by the corporate segment translates the upward trend in economic activity, sustained by strengthened domestic demand, intensified since 2006. In this scenario, investment spending started to significantly increase, in response to both increased level of installed capacity utilization and to favorable conditions, in spending terms, of industrial base enhancement. In 2007, investments had a 13,4% annual increase, while consumption grew 6.5%.

Financing with non earmarked resources contracted by the corporate sector has grown significantly, reaching a level higher than that of individuals. Considering operations with domestic resources and those backed by foreign currencies, credit value channeled to companies totaled R\$378.6 billion in April this year, a 35.7% increase, as compared to the same period in 2007 and corresponding to 52.2% of the total portfolio with non earmarked resources. In the same period, credits targeted to individuals increased by 34.1%, totaling R\$347 billion.

The upturn in activity registered in the corporate segment had been impacted by the performance

Figure 2 – Nonemarked credit – Balances
12-month growth (%)

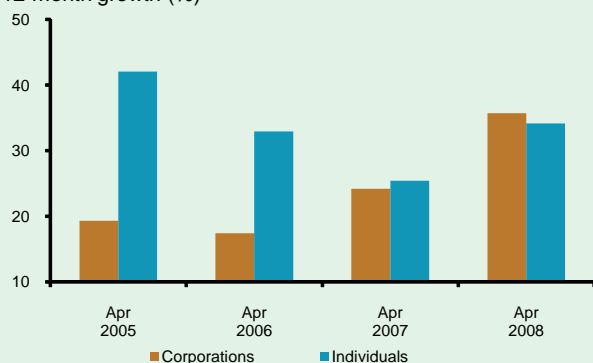
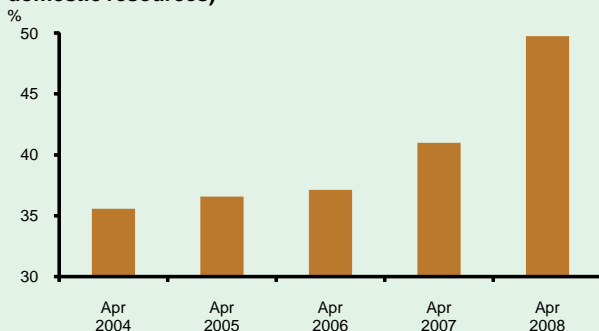


Figure 3 – Working capital – Participation in the balances of corporations (reference credit, domestic resources)



of working capital credits, which reached R\$117.4 billion in April 2008, an annual increase of 66.7%. This modality of operations started representing 49.7% of the total domestic credit benchmark portfolio, against 41% in April 2007. The accumulated granting increased 55.4% in the year, totaling R\$63.1 billion, corresponding to 22% of corporate credits with domestic resources, against 14.3% in April 2007. One should highlight that the participation of the operations with fluctuating charges, of lower cost to borrowers, represented 55.8% of the total balance of working capital credits.

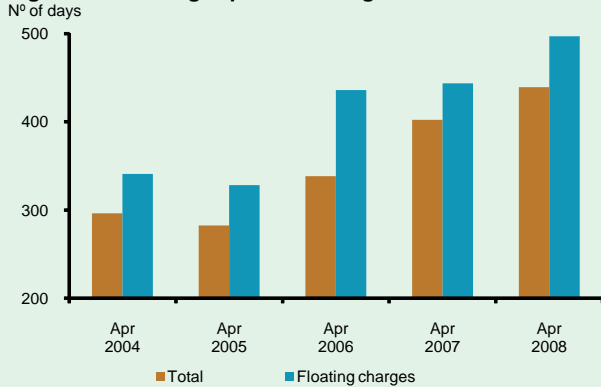
Working capital operations, usually designed to attend to cash-flow requirements, create a modality of credit quite attractive to companies, taking into account its reduced financial cost, operational flexibility and, more recently, the possibility of contracting with long-term maturities. In fact, in January 2008, the average term of these operations reached the highest level of 487 days, mirroring the intensification of contracting with debt terms higher than five years.¹

Considering fixed interest rate operations, the interest rate average of working capital operations dropped from 38.8% per year (p.y), in August 2005, to 30.1% p.y, in April t 2008, while the average rate related to operations with floating interest rates dropped from 28% p.y to 19.5% p.y, during the same period. This aspect becomes more relevant when is observed that operations directed to the corporate segment are carried out, mainly, with financial charges and reduced spreads, basically represented by interest rates based on the rate related to interbank deposits.

Additionally, it is worth highlighting the increasing use of banking credit as bridge loans, a modality designed to supply resources in advance to capital market issuances and to merge and acquisition processes. Initially these credits finance those operations, being later replaced by the issuance of bonds in the capital market. The banking credit with nonemarked resources fulfills, thereby, a complementary function in the process of the capital market's corporate financing.

1/ Statistics referring to the average-term are concerned to the portfolio total balance and not to new granting. Because of this aspect, data released took long to reflect the expansion of the debt terms observed in recent contracts.

Figure 4 – Working capital – Average terms



Significant working capital credit increase has also mirrored the increasing participation of operations with micro, small and medium-size companies in the credit operation of the main financial institutions. Based on data from the balance sheets of the country's four main banks, credit for these borrowers, including working capital and other modalities, such as receivables and BNDES transfers, topped R\$106.6 billion in the first quarter of 2008, registering an increase of 48% in twelve months. Credit supply increase for this business segment is associated to strategies of financial institutions aiming at expanding their position in this market segment through the introduction of credit products adapted to the specific profile of these customers. This stance has been favoring the pace toward meeting a stronger demand for resources by these companies, taking into account the upturn of industrial activity and of trade sales.

One should also highlight the performance of the corporate leasing operations, in which case the balance totaled R\$42.1 billion in April 2008, an 87.6% hike in the period of twelve months. This result highlights the growing importance of this credit instrument to make feasible potential productive investments, allowing, especially, the expansion of the vehicle fleets and acquisition of machines and equipment, and informatics equipment.