

(A free translation of the original in Portuguese)

**Banco Modal S.A. and
Subsidiaries**
**Financial Statements at
June 30, 2008 and 2007
and Report of Independent Auditors**

(A free translation of the original in Portuguese)

Report of Independent Auditors

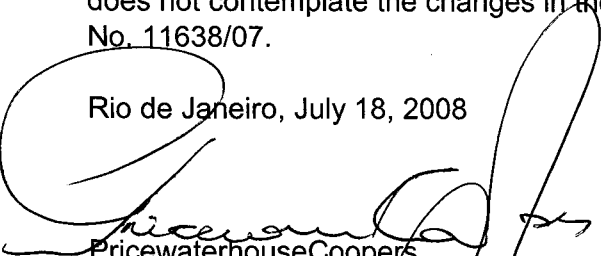
To the Board of Directors and Stockholders
Banco Modal S.A.

- 1 We have audited the accompanying balance sheets of Banco Modal S.A. and the consolidated balance sheets of Banco Modal S.A. and its subsidiaries as of June 30, 2008 and 2007, and the related statements of income, of changes in stockholders' equity and of changes in financial position of Banco Modal S.A., as well as the related consolidated statements of income and of changes in financial position, for the six-month periods then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Bank and its subsidiaries, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Banco Modal S.A. and Banco Modal S.A. and its subsidiaries at June 30, 2008 and 2007 and the results of operations, the changes in stockholders' equity and the changes in the financial position of Banco Modal S.A., as well as the consolidated results of operations and of changes in financial position, for the six-month periods then ended, in accordance with accounting practices adopted in Brazil prior to the issuance of Law No. 11638/07.

Banco Modal S.A.

- 4 As mentioned in Note 2(k), Law No. 11.638 was enacted on December 28, 2007 and is effective as from January 1, 2008. This law amended, revoked and introduced new provisions to Law No. 6404/76 (Brazilian Corporate Law) and changed the accounting practices adopted in Brazil. Although the aforementioned law is already effective, the main changes introduced by it depend on the regulations to be issued by the National Monetary Council and the Brazilian Central Bank - BACEN for them to be implemented by the institutions they authorize to operate. Therefore, in this transition phase, the Brazilian Central Bank - BACEN, through its Instruction No. 16669 of March 20, 2008, did not require the implementation of the provisions of Law No. 11638/07 in the preparation of the intermediate financial statements for the year 2008. As a result, the accounting information included in the Quarterly Information was prepared in accordance with the specific instruction of BACEN and does not contemplate the changes in the accounting practices introduced by Law No. 11638/07.

Rio de Janeiro, July 18, 2008



PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5/"F" RJ



Eduardo Corrêa da Silva
Contador CRC 1RJ02760/O-8

Banco Modal S.A. and Subsidiaries

Balance Sheets at June 30 In thousands of reais

(A free translation of the original in Portuguese)

	Banco Modal S.A.		Consolidated	
	2008	2007	2008	2007
Assets				
Current assets				
Cash and cash equivalents				
Cash	72	36	75	43
Free reserves	365	239	365	239
Cash and cash equivalents in foreign currency	612	16	612	16
	<u>1,049</u>	<u>291</u>	<u>1,052</u>	<u>298</u>
Interbank investments				
Open market investments	400		400	
Marketable securities and derivative financial instruments				
Own portfolio	150,652	87,468	152,329	88,996
Subject to repurchase agreements	251,362	236,828	251,362	236,828
Subject to the Brazilian Central Bank	3,801		3,801	
Subject to guarantees	57,963	63,447	57,963	63,447
Derivative financial instruments	88,683	19,971	88,683	19,971
	<u>552,461</u>	<u>407,714</u>	<u>554,138</u>	<u>409,242</u>
Interbank accounts				
Services for clearing checks and other papers		65		65
Restricted receivables - deposits with the Brazilian Central Bank	102	697	102	697
Correspondent banks in Brazil	220	8	220	8
Other	94		94	
	<u>416</u>	<u>770</u>	<u>416</u>	<u>770</u>
Credit Operations				
Private sector				
Loans and discounted securities	234,878	116,875	234,878	116,875
Financings	68,417	8,914	68,417	8,914
FINAME/BNDES onlendings	1,651	7,595	1,651	7,595
(-) Allowance for possible loan losses	(5,591)	(8,103)	(5,591)	(8,103)
	<u>299,355</u>	<u>125,281</u>	<u>299,355</u>	<u>125,281</u>
Other receivables				
Foreign exchange portfolio	133,925	3,391	133,925	3,391
Income receivable	38	77	38	77
Negotiation and intermediation of securities	1,163	1,210	1,163	1,210
Sundry	21,332	12,552	24,287	13,304
(-) Allowance for losses on other receivables	(1,077)	(107)	(1,077)	(107)
	<u>155,381</u>	<u>17,123</u>	<u>158,336</u>	<u>17,875</u>
Other receivables and assets				
Assets not for own use	800	800	800	800
Prepaid expenses	70	74	92	103
	<u>870</u>	<u>874</u>	<u>892</u>	<u>903</u>
	<u>1,009,932</u>	<u>552,053</u>	<u>1,014,589</u>	<u>554,369</u>
Non-current assets				
Long-term receivables				
Derivative financial instruments	6,930	33,832	6,930	33,832
Credit operations				
Loans and discounted securities	17,082	10,884	17,082	10,884
FINAME/BNDES onlendings	377	3,080	377	3,080
	<u>17,459</u>	<u>13,964</u>	<u>17,459</u>	<u>13,964</u>
Other receivables - Sundry	7,413	196	7,413	196
	<u>31,802</u>	<u>47,992</u>	<u>31,802</u>	<u>47,992</u>
Permanent assets				
Investments				
In subsidiaries	6,860	3,657		
Other investments	760	682	948	682
Property and equipment	4,602	3,937	4,602	3,937
Deferred charges	1,196	77	1,196	77
	<u>13,418</u>	<u>8,353</u>	<u>6,746</u>	<u>4,696</u>
Total assets	<u>1,055,152</u>	<u>608,398</u>	<u>1,053,137</u>	<u>607,057</u>

Banco Modal S.A. and Subsidiaries

Balance Sheets at June 30 In thousands of reais

(continued)

	Banco Modal S.A.		Consolidated	
	2008	2007	2008	2007
Liabilities and stockholders' equity				
Current liabilities				
Deposits				
Demand deposits	13,082	5,209	13,075	5,205
Interbank deposits	58,318		58,318	
Time deposits	170,730	68,447	167,893	66,678
Other deposits	1		1	
	<u>242,131</u>	<u>73,656</u>	<u>239,287</u>	<u>71,883</u>
Open market				
Own portfolio	248,498	235,795	248,498	235,795
Interbank accounts				
Services for clearing checks and other papers	110	426	110	426
Onlendings				
Foreign loans	7,412		7,412	
FINAME/BNDES	1,649	7,585	1,649	7,585
	<u>9,061</u>	<u>7,585</u>	<u>9,061</u>	<u>7,585</u>
Derivative financial instruments	42,559	5,677	42,559	5,677
Other liabilities				
Tax payment and collection	117	98	117	98
Foreign exchange	131,094		131,094	
Social and statutory	9,559		9,559	28
Taxes and social security contributions	46,935	12,098	47,504	12,428
Negotiation and intermediation of securities	1	725	1	725
Subordinated debts	658	1,292	658	1,292
Sundry	4,766	3,576	5,026	3,650
	<u>193,130</u>	<u>17,789</u>	<u>193,959</u>	<u>18,221</u>
	<u>735,489</u>	<u>340,928</u>	<u>733,474</u>	<u>339,587</u>
Non-current liabilities				
Long-term liabilities				
Deposits				
Time deposits	94,679	57,668	94,679	57,668
Onlendings				
FINAME/BNDES	377	3,080	377	3,080
Derivative financial instruments	4	32,438	4	32,438
Other liabilities				
Taxes and social security contributions	870	805	870	805
Subordinated debts	47,757	57,786	47,757	57,786
	<u>48,627</u>	<u>58,591</u>	<u>48,627</u>	<u>58,591</u>
	<u>143,687</u>	<u>151,777</u>	<u>143,687</u>	<u>151,777</u>
Stockholders' equity				
Capital				
Local residents	88,060	79,177	88,060	79,177
Capital increase	43,740	2,805	43,740	2,805
Capital reserve	372	291	372	291
Revenue reserves	14,309	32,183	14,309	32,183
Adjustment to market value - securities and derivatives	2,664	547	2,664	547
Retained earnings	26,831	690	26,831	690
	<u>175,976</u>	<u>115,693</u>	<u>175,976</u>	<u>115,693</u>
Total liabilities and stockholders' equity	<u>1,055,152</u>	<u>608,398</u>	<u>1,053,137</u>	<u>607,057</u>

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

Banco Modal S.A. and Subsidiaries

Statements of Income

Six-month Periods Ended June 30

In thousands of reais, except for net income per share

(A free translation of the original in Portuguese)

	Banco Modal S.A.		Consolidated	
	2008	2007	2008	2007
Income from financial intermediation				
Credit operations	18,923	17,392	18,923	17,392
Marketable securities	18,312	15,754	18,400	15,858
Results on derivative financial instruments	61,480	(9,843)	61,480	(9,843)
Income from foreign exchange operations	891		891	
	<u>99,606</u>	<u>23,303</u>	<u>99,694</u>	<u>23,407</u>
Expenses on financial intermediation				
Funds obtained in the market	(23,535)	(10,358)	(23,378)	(10,258)
Borrowings and onlendings	(696)	(518)	(696)	(518)
Income from foreign exchange operations		(98)		(98)
Allowance for possible loan losses	(2,475)	(5,336)	(2,475)	(5,336)
	<u>(26,706)</u>	<u>(16,310)</u>	<u>(26,549)</u>	<u>(16,210)</u>
Gross operating income	<u>72,900</u>	<u>6,993</u>	<u>73,145</u>	<u>7,197</u>
Other operating income (expenses)				
Income from services rendered	2,910	2,107	8,160	3,681
Personnel expenses	(7,560)	(5,883)	(8,302)	(6,411)
Other administrative expenses	(9,175)	(6,158)	(9,414)	(6,205)
Tax expenses	(3,708)	(829)	(4,025)	(1,055)
Equity in the earnings of subsidiaries	3,550	733		
Other operating income	4,702	3,956	4,702	3,956
Other operating expenses	(2,926)	(208)	(2,928)	(209)
	<u>(12,207)</u>	<u>(6,282)</u>	<u>(11,807)</u>	<u>(6,243)</u>
Operating income	<u>60,693</u>	<u>711</u>	<u>61,338</u>	<u>954</u>
Non-operating income	<u>(5)</u>	<u></u>	<u>(5)</u>	<u></u>
Income before taxation and profit sharing	<u>60,688</u>	<u>711</u>	<u>61,333</u>	<u>954</u>
Income tax and social contribution				
Provision for income tax	(10,920)	(245)	(11,387)	(397)
Provision for social contribution	(5,095)	(92)	(5,273)	(155)
Deferred tax asset	(3,883)	352	(3,883)	352
	<u>(19,898)</u>	<u>15</u>	<u>(20,543)</u>	<u>(200)</u>
Directors' and employees' profit sharing	<u>(4,559)</u>	<u></u>	<u>(4,559)</u>	<u>(28)</u>
Net income for the six-month period	<u>36,231</u>	<u>726</u>	<u>36,231</u>	<u>726</u>
Interest on capital	<u>(4,400)</u>	<u></u>	<u>(4,400)</u>	<u></u>
Net income per share at the end of the six-month period	<u>967.66</u>	<u>20.65</u>		

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

Banco Modal S.A.

Statements of Changes in Stockholders' Equity

In thousands of reais

(A free translation of the original in Portuguese)

	Capital	Capital	Capital	Revenue	Adjustment	Retained	Total
	increase	reserve	reserves	to market	value -	earnings	
		of equity	Statutory	securities and	securities and		
		securities	Legal	derivatives	derivatives		
Six-month period ended June 30, 2007							
At January 1, 2007	79,177	2,805	237	3,631	28,516	84	114,450
Adjustment to market value - securities and derivatives					463		463
Restatement of equity securities - CETIP			54				54
Net income for the six-month period						726	726
Appropriations:							
Constitution of legal reserve				36		(36)	
At June 30, 2007	79,177	2,805	291	3,667	28,516	690	115,693
Changes in the six-month period			54	36		690	1,243
Six-month period ended June 30, 2008							
At January 1, 2008	81,982	6,078	291	5,371	48,938	997	143,657
Capital increase:							
Confirmed by BACEN	6,078	(6,078)					
Capitalization of reserve and increase in cash being confirmed by BACEN		43,740			(40,000)		3,740
Adjustment to market value - securities and derivatives						1,667	1,667
Restatement of equity securities - CETIP			88				88
Write-off of reserve of stock exchange			(7)				(7)
Net income for the six-month period						36,231	36,231
Appropriations:							
Constitution of legal reserve							
Interest on capital (R\$ 117.52 per share)						(4,400)	(4,400)
Proposed dividends (R\$ 133.54 per share)						(5,000)	(5,000)
At June 30, 2008	88,060	43,740	372	5,371	8,938	2,664	175,976
Changes in the six-month period	6,078	37,662	81		(40,000)	1,667	32,319

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

Banco Modal S.A. and Subsidiaries

Statements of Changes in Financial Position

Six-month Periods Ended June 30

In thousands of reais

(A free translation of the original in Portuguese)

	Banco Modal S.A.		Consolidated	
	2008	2007	2008	2007
Financial resources were provided by				
Adjusted net income				
Net income for the six-month period	36,231	726	36,231	726
Adjustments to net income				
Depreciation and amortization	863	563	863	563
Equity in the earnings of subsidiaries	(3,550)	(733)		
Other	3		3	
	<u>33,547</u>	<u>556</u>	<u>37,097</u>	<u>1,289</u>
Adjustment to market value - securities and derivative financial instruments	1,667	463	1,667	463
Funds from stockholders				
Capital increase	3,740		3,740	
Third-party resources				
Increase in liabilities				
Deposits	62,705	38,905	62,365	38,298
Funds obtained in the open market	127,565	183,402	127,565	183,402
Interbank accounts	110	426	110	426
Derivative financial instruments	1,829	35,645	1,829	35,645
Other liabilities	125,970		125,374	
Decrease in assets				
Interbank applications	2,098	2,101	2,098	2,101
Credit operations		1,484		1,484
Total funds provided	<u>359,231</u>	<u>262,982</u>	<u>361,845</u>	<u>263,108</u>

Banco Modal S.A. and Subsidiaries

Statements of Changes in Financial Position

Six-month Periods Ended June 30

In thousands of reais

(continued)

	Banco Modal S.A.		Consolidated	
	2008	2007	2008	2007
Financial resources were used for				
Proposed dividends	5,000		5,000	
Interest on capital	4,400		4,400	
Investments in				
Investments		9	188	
Property and equipment	669	991	669	991
Deferred charges	37		37	
Increase in assets				
Securities and derivative financial instruments	189,285	237,041	189,359	237,117
Interbank accounts	321	74	321	74
Credit operations	35,775		35,775	
Other receivables	119,383	1,535	121,736	1,648
Other receivables and assets	30	3	28	10
Decrease in liabilities				
Onlendings	4,313	4,433	4,313	4,433
Other liabilities		18,988		18,923
Total resources used	359,213	263,074	361,826	263,196
Increase (decrease) in cash and cash equivalents	18	(92)	19	(88)
Changes in financial position				
Cash and cash equivalents				
At the beginning of the six-month period	1,031	383	1,033	386
At the end of the six-month period	1,049	291	1,052	298
Increase (decrease) in cash and cash equivalents	18	(92)	19	(88)

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

(A free translation of the original in Portuguese)

Banco Modal S.A. and Subsidiaries

Notes to the Financial Statements

at June 30, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

1 Operations

Banco Modal S.A. is a limited liability corporation, and its objective is to carry out banking operations and to render the permitted services for multiservice banks with commercial and investment portfolios. It can also carry out foreign exchange operations and hold investments in other companies.

2 Significant Accounting Practices

The financial statements were prepared in accordance with the accounting practices adopted in Brazil, and the rules and regulations established by the Brazilian Central Bank (BACEN). The financial statements include estimates relating to the allowance for possible loan losses and other similar charges. The actual results may present variances in relation to the estimates.

(a) Determination of net income

Net income is determined on the accrual basis.

(b) Marketable securities

Marketable securities are classified in accordance with the terms of BACEN Circular No. 3068/01 in three categories, as follows:

- (i) Trading securities - Securities acquired in order to be traded on a frequent and active basis, which are recorded at market value, with a corresponding entry to the statement of income for the six-month period.
- (ii) Securities held to maturity - Securities acquired for which the Bank has the intention and financial capacity to hold them up to maturity, which are recorded at acquisition cost plus accrued income, with a corresponding entry to the statement of income for the six-month period.

Banco Modal S.A. and Subsidiaries

Notes to the Financial Statements

at June 30, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

(iii) Securities available for sale - Securities which are not classified in categories (i) and (ii), which are registered at acquisition cost plus accrued income, with a corresponding entry to the result, and evaluated at market value, with a corresponding entry to a specific stockholders' equity account. The majority of such securities is used in the management of the Bank's cash.

(c) Interbank investments, credit operations and interbank and time deposits

Pre-fixed operations are recorded at future values, adjusted for the unearned income/expenses, and post-fixed operations are recorded at the restated amounts, both on a daily pro rata basis up to the balance sheet date.

(d) Allowance for losses on loans and receivables

This allowance is estimated based on an analysis of transactions carried out by management to determine their realization values, and takes into consideration the economic scenario, past experience and the specific and overall risks of each transaction, as well as the rules and instructions established by BACEN.

(e) Deferred credits and taxes

Deferred credits and taxes arising from the valuation of securities and derivative financial instruments at market values and from the temporary differences in respect of the allowance for losses on loans and receivables, adjustments to the results for interest operations carried out in future settlement markets and the provisions for the Social Contribution on Revenues (COFINS) the collection of which has been suspended were calculated and recorded in accordance with the standards established by BACEN Circular No. 3171/02, taking into consideration the income tax and social contribution rates in effect and the estimates of realization relating to the operations which generated them.

(f) Permanent assets

Investments - Investments in subsidiaries are accounted for by the equity method. Other investments are valued at cost, and equity securities of the Futures and Commodities Exchange (BM&F) and Clearing House for the Custody and Financial Settlement of Securities (CETIP) are revalued based on the equity values and the result of these revaluations is recorded directly in a capital reserve - Restatement of equity securities.

Banco Modal S.A. and Subsidiaries

Notes to the Financial Statements at June 30, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

Property and equipment - Stated at cost of acquisition, net of depreciation calculated on the straight-line basis, based on the useful lives of assets, being 10% for furniture and fixtures, machinery and equipment and 20% for data processing equipment.

Deferred charges - Basically comprises improvements to leasehold properties, which are recorded at cost of acquisition and amortized on the straight-line basis, considering the term of the lease.

(g) Current and long-term liabilities

Liabilities are stated at known or estimated values, including, when applicable, the related accrued charges and monetary and/or exchange variations on a daily pro rata basis.

(h) Income tax and social contribution

The provision for income tax is calculated at the rate of 15% on taxable income, plus, when applicable, an additional rate of 10% on taxable income in excess of R\$ 240. The provision for social contribution is calculated at the rate of 15% (9% until April, 2008) on income before tax, adjusted in accordance with current legislation.

In January 2008, Provisional Measure No. 413/2008 altered the provisions of federal tax legislation, addressing mainly the Social Contribution on Net Income- CSLL, the Social Integration Program (PIS) and the Social Contribution on Revenues (COFINS). The calculation rate for the CSLL for financial institutions was increased from 9% to 15% as from May 2008.

(i) Derivative financial instruments

Transactions with derivatives are recorded as follows:

- Options - the nominal values of call option contracts for stocks, financial assets and commodities, both issued and outstanding, are recorded in memorandum accounts. Premiums received and/or paid when the operations are contracted are recorded in equity accounts, adjusted to their market quotations, remaining in these accounts up to the effective date for the exercise of the option, when they are written-off as a reduction or increase in the cost of the asset or right, if the option is exercised, or as revenue or expense, in case the option is not exercised.

Banco Modal S.A. and Subsidiaries

Notes to the Financial Statements at June 30, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

- Futures - contracts for transactions of financial assets and commodities in the futures market are recorded in memorandum accounts. These contracts are adjusted daily according to the type of asset and its maturity and the adjustments are recognized monthly in the result.
- Swap - swap contracts are recorded in memorandum accounts at the nominal amounts. The differences payable or receivable are recorded in equity accounts with a corresponding entry to the statement of income.
- Term transactions - contracts for term transactions of financial assets and products are recorded in memorandum accounts. The adjustments relating to these contracts are calculated daily and recognized in the statement of income, with a corresponding entry to equity accounts.

Derivative financial instruments are valued at market values, and the appreciation or devaluation in the value, in accordance with the respective classifications, are recorded as follows:

- (i) not to be used as hedge: recorded in results for the six-month period;
- (ii) to be used as market risk hedge: recorded in results for the six-month period; and
- (iii) to be used as cash flow hedge: the appreciation or devaluation in the value of the effective portion of the hedge is recorded with a corresponding entry to a specific stockholders' equity account, until the maturity of the transactions.

(j) Adjustment to market value

The adjustment to market value of securities and derivative financial instruments is based on quotations of prices and market agents and on pricing models usually adopted by the financial institutions and their representative associations. Consequently, upon the financial settlement of these items the actual results may be different in relation to the estimates.

(k) Alterations made to Brazilian Corporate Law

Law No. 11638 was enacted on December 28, 2007 and is effective as from January 1, 2008. This law altered, revoked and introduced new provisions to Law No. 6404/76 (Brazilian Corporate Law) and changed the accounting practices adopted in Brazil. Although the aforementioned law is already effective, the main changes introduced by it depend on the regulations to be issued by the relevant regulatory authorities for them to be fully implemented by the companies.

Banco Modal S.A. and Subsidiaries

Notes to the Financial Statements at June 30, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

The main changes for the Bank resulting from the new Law relate to the substitution of the statements of changes in financial position by the statements of cash flows, the creation of a new subgroup of intangible assets in permanent assets, periodic analysis of the recoverability of permanent assets, as well as the creation of the subgroup "Adjustments of equity evaluation".

In a Notice issued on the procedures for the compliance with the accounting practices, BACEN determined that a specific action should be developed, to be completed until December 31, 2008, with the objective of promoting the adequacy of the regulation applicable to financial institutions and other institutions authorized to operate by BACEN to the new accounting rules defined by Law No. 11638.

During fiscal year 2008, BACEN will issue normative rulings with the procedures to be adopted for the preparation and disclosure of financial statements in line with the new Law and the financial statements related to the base date December 31, 2008 should reflect the adoption of the new accounting practices. However, at present and considering the current circumstances, management does not consider it feasible to measure with reasonable assurance the effects of the full adoption of the new Law in terms of income and net equity and the disclosure of the financial information.

3 Consolidated Financial Statements

The consolidated financial statements were prepared in conformity with the consolidation principles prescribed by the accounting practices adopted in Brazil.

The consolidation process of the balance sheet and statement of income reflects the aggregation of the balances of the assets, liabilities, income and expense accounts, according to their nature, together with the elimination of (a) participation in capital, accumulated results and investments and (b) the balances of current accounts and other asset and/or liability accounts maintained between institutions and companies whose balance sheets are consolidated.

The consolidated financial statements at June 30, 2008 and 2007 comprise those of Banco Modal S.A. and the wholly-owned subsidiaries Modal Trading S.A., Modal Energy S.A. and Modal Asset Management Ltda.

Banco Modal S.A. and Subsidiaries

Notes to the Financial Statements at June 30, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

4 Marketable Securities and Derivative Financial Instruments

(a) Marketable securities

	Maturity	2008			2007		
		Restated cost	Market value	Unrealized gain (loss)	Restated cost	Market value	Unrealized gain (loss)
Own portfolio							
Trading securities							
Shares of publicly-traded companies		101	86	(15)	2,472	2,452	(20)
Bonus on share subscriptions					27	39	12
Quotaholdings in investment funds		9,746	9,746		4,219	4,219	
		<u>9,847</u>	<u>9,832</u>	<u>(15)</u>	<u>6,718</u>	<u>6,710</u>	<u>(8)</u>
Securities available for sale							
Debentures	Up to Apr/13	23,441	24,096	655			
Debentures	Up to Apr/09				6,002	6,030	28
National Treasury Bills	Up to Jan/10	10,316	10,235	(81)			
National Treasury Bills	Up to Jan/08				7,079	7,083	4
National Treasury Bills	Up to Apr/09				15,327	15,336	9
National Treasury Notes	In May/09	105,502	106,489	987	52,060	52,309	249
		<u>139,259</u>	<u>140,820</u>	<u>1,561</u>	<u>80,468</u>	<u>80,758</u>	<u>290</u>
		<u>149,106</u>	<u>150,652</u>	<u>1,546</u>	<u>87,186</u>	<u>87,468</u>	<u>282</u>
Subject to repurchase agreements							
Securities available for sale							
National Treasury Bills	Up to Apr/08				189,150	189,263	113
National Treasury Notes	In May/09	249,032	251,362	2,330	47,339	47,565	226
		<u>249,032</u>	<u>251,362</u>	<u>2,330</u>	<u>236,489</u>	<u>236,828</u>	<u>339</u>
Subject to the Brazilian Central Bank							
Securities available for sale							
National Treasury Notes	In May/09	3,766	3,801	35			
		<u>3,766</u>	<u>3,801</u>	<u>35</u>			
Subject to guarantees							
Trading securities							
Shares of publicly-traded companies					12,917	14,926	2,009
Securities available for sale							
National Treasury Bills	In Oct/09	1,063	1,048	(15)			
National Treasury Bills	In Apr/08				6,290	6,293	3
National Treasury Bills	Up to Jan/08				1,232	1,233	1
National Treasury Notes	Up to May/09	56,387	56,915	528	40,800	40,995	195
		<u>57,450</u>	<u>57,963</u>	<u>513</u>	<u>48,322</u>	<u>48,521</u>	<u>199</u>
		<u>57,450</u>	<u>57,963</u>	<u>513</u>	<u>61,239</u>	<u>63,447</u>	<u>2,208</u>

Banco Modal S.A. and Subsidiaries

Notes to the Financial Statements at June 30, 2008 and 2007

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The portfolio of marketable securities in the consolidated financial statements includes an amount of R\$ 1,677, represented by quotaholdings in multimarket investment funds.

The adjustment to market value of trading securities was recorded in results for the six-month period. Unrealized gains (losses) arising from the adjustment to market value of securities available for sale were recorded in the respective accounts of the assets, with a corresponding entry a specific stockholders' equity account, as shown below:

	<u>2008</u>	<u>2007</u>
At January 1	1,511	127
Adjustment in specific stockholders' equity account (Note 12(f))	<u>2,928</u>	<u>701</u>
At June 30	<u><u>4,439</u></u>	<u><u>828</u></u>

(b) Derivative financial instruments

	<u>2008</u>			<u>2007</u>		
	<u>Restated cost</u>	<u>Market value</u>	<u>Unrealized gain</u>	<u>Restated cost</u>	<u>Market value</u>	<u>Unrealized gain (loss)</u>
Asset position						
Premiums on options to be exercised	5,130	13,599	8,469	45,165	36,450	(8,715)
Futures purchases receivable	533	589	56			
Differential on swap transactions	<u>52,093</u>	<u>81,425</u>	<u>29,332</u>	<u>10,208</u>	<u>17,353</u>	<u>7,145</u>
	57,756	95,613	<u>37,857</u>	55,373	53,803	<u>(1,570)</u>
Current	<u>52,841</u>	<u>88,683</u>		<u>22,775</u>	<u>19,971</u>	
Long-term	<u>4,915</u>	<u>6,930</u>		<u>32,598</u>	<u>33,832</u>	
Liability position						
Premiums on options granted	13,097	16,274	3,177	49,217	36,837	12,380
Futures purchases payable	1,616	1,811	195			
Differential on swap transactions	<u>15,524</u>	<u>24,478</u>	<u>8,954</u>	<u>872</u>	<u>1,278</u>	<u>(406)</u>
	30,237	42,563	<u>12,326</u>	50,089	38,115	<u>11,974</u>
Current	<u>30,207</u>	<u>42,559</u>		<u>17,095</u>	<u>5,677</u>	
Long-term	<u>30</u>	<u>4</u>		<u>32,994</u>	<u>32,438</u>	

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Gains on adjustments to market values of derivative financial instruments amounting to R\$ 15,008 (2007 - R\$ 1,728) were recorded, together with the realized results, in the results for the six-month period in "Income from derivative financial instruments". The Bank has not contracted operations with derivative financial instruments for the purpose of hedging the cash flow.

Banco Modal S.A. participates in transactions with financial instruments with the objective of meeting its own and clients' needs, to reduce exposure to market, currency and interest rate risks. These risks are managed using policies that define the strategy of the operation, monitoring controls and position limits.

The operations with these instruments are registered at the Futures and Commodities Exchange (BM&F), the Clearing House for the Custody and Financial Settlement of Securities (CETIP) and/or the Brazilian Custody and Settlement Company (CBLIC). For the operations maintained with these institutions at June, 2008, margins amounting to R\$ 57,963 (2007 - R\$ 63,447) in guarantee were required and they were represented by public securities.

Commitments assumed in respect of operations with derivatives recorded in memorandum accounts at June 30, 2008 and 2007 were as follows:

(b.1) By index

	Place of trading	2008		2007	
		Purchased position	Sold position	Purchased position	Sold position
Options market					
Financial assets					
Call options	CETIP		171,721		128,993
Call options	BM&F	284,616	535,685	1,622,050	1,763,677
Put options	BM&F	77,500		605,000	375,000
Futures market					
Interest rate	BM&F	3,635	1,000,330	796,050	798,199
Currency	BM&F	102,732	48,951	110,429	
Stock exchange index	BM&F			13,657	
Exchange coupon	BM&F	116,610	54,582		
Term transactions					
Currency	CETIP	30,479	8,240		
Swap					
Interest rate	CETIP	192,520	144,999	93,553	39,127
Currency	CETIP	268,082	306,714	245,532	294,640
Price indexes	CETIP	4,604			
Interest rate	BM&F	572,485	1,121,113	47,905	570,437
Price indexes	BM&F	1,186,992	594,910	582,298	49,009

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(b.2) By maturity

	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	After 360 days	Total	
						2008	2007
Options market							
Financial assets							
Purchase contracts	120,000			242,116		362,116	2,227,050
Sales contracts	232,040	117,217	53,828	304,321		707,406	2,267,670
Futures market							
Purchase contracts		100,638		95,753	26,586	222,977	920,136
Sales contracts	79,661	23,872	153,049	842,667	4,614	1,103,863	798,199
Term transactions							
Purchase contracts	15,160	15,319				30,479	
Sales contracts	8,240					8,240	
Swap							
Asset position	189,204	45,202	333,351	1,540,650	116,276	2,224,683	969,288
Liability position	189,316	45,138	325,487	1,498,445	109,350	2,167,736	953,213

5 Risk Management

The management of the risks of operations is performed through internal policies and multi disciplinary teams, independent from the Bank's business areas, that monitor the sundry risks inherent to the operations and/or processes, including market, liquidity, credit and operating risks. These management structures are described in the annual reports and/or the Bank's sites and can be summarized as follows:

(a) Market risk

The management of market risks in the operations is performed through control and limit policies defined by a Risk Committee. The Risk Committee is formed by senior management, the economic department and the risk area, which is independent from the Bank's business areas. Before the market opens, reports are released, which include a value-at-risk analysis, a Monte Carlo simulation and the portfolio's exposure to the main risk factors at the moment. Tests are carried out periodically to validate the calculation methodology (back test). The Risk Report also presents market stress testing and historical crises simulations, which are used for the assessment of the leverage utilized.

Banco Modal S.A. and Subsidiaries

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(b) Liquidity risk

Liquidity risk is managed by adopting controls that assure the allocation of funds to assets of high quality and liquidity, based on own equity and/or capital obtained from counterparties at rates which are in line with the market. This control also includes the analysis of possible mismatches in time between assets and liabilities and the resulting adjustments needed to adequate them.

(c) Credit risk

The Bank has a policy for granting credit whereby procedures for assessment of clients and counterparties are established. An assessment of each client or counterparty is made prior to realizing operations and includes objective analyses of financial data, comparative ratios, cash flow, working capital, coverage of interest rates and quality of the guarantees provided, as well as subjective analyses including data on the economic sector, regulatory environment and market share. The limits are approved by the Credit Committee and are regularly reviewed together with the sufficiency of the guarantees provided.

(d) Operating risk

Operating risks are managed by an area created specifically for this purpose, which is responsible for evaluating, monitoring and controlling the risks arising from systems, people, internal processes or also external events. The management of operating risks is carried out through the analysis of the main processes, identifying risks and suggesting the respective mitigating controls, using a system of internal controls and measurement of risks, which also enables the administrators of each process to evaluate the controls, as well as the action plans. In order to ensure the security of all procedures executed at Modal, the operating risk area has a close relationship with the Internal Audit area and the Compliance Committee.

6 Credit Operations

Credit operations are classified in nine risk levels and the allowance for loan losses is made based on the clients' rating under the risk levels defined by the CMN. This rating considers, among other factors, a periodic analysis of the operation, overdue payments, the client's history and guarantees provided, when applicable.

Banco Modal S.A. and Subsidiaries

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The classification of loan operations is as follows:

(a) By type of client, economic activity and risk level

Type of credit	Type of client	Economic activity	Risk level	2008		2007		Allowance percentage according to CMN Resolution No. 2682/99
				Classification of portfolio by risk	Allowance for losses	Classification of portfolio by risk	Allowance for losses	
Loans and discounted notes	Corporate	Industry	AA	1,989		906		
	Corporate	Commerce	AA			2,762		
	Corporate	Services	AA	2,049		3,215		
	Individual		AA	2,913		177		
	Corporate	Industry	A	69,116	(345)	34,368	(172)	0.50%
	Corporate	Commerce	A	4,244	(21)	4,294	(21)	0.50%
	Corporate	Services	A	63,563	(318)	21,484	(108)	0.50%
	Individual		A			14		0.50%
	Corporate	Industry	B	40,112	(401)	2,712	(27)	1.00%
	Corporate	Commerce	B	12,389	(124)	1,773	(17)	1.00%
	Corporate	Services	B	21,613	(216)	22,356	(224)	1.00%
	Corporate	Industry	C	5,065	(152)	10,146	(304)	3.00%
	Corporate	Commerce	C	5,427	(163)			3.00%
	Corporate	Services	C	14,993	(450)	7,135	(214)	3.00%
	Corporate	Industry	D	5,572	(557)	7,044	(705)	10.00%
	Corporate	Services	D			2,701	(270)	10.00%
	Corporate	Services	E			857	(257)	30.00%
	Corporate	Industry	F	165	(82)			30.00%
	Corporate	Commerce	F	73	(37)			50.00%
	Corporate	Services	F			458	(229)	50.00%
Corporate	Industry	G	479	(335)	645	(451)	70.00%	
Corporate	Services	G	1,423	(996)	44	(31)	70.00%	
Corporate	Industry	H	607	(607)	3,553	(3,553)	100.00%	
Corporate	Commerce	H			703	(703)	100.00%	
Corporate	Services	H	168	(168)	412	(412)	100.00%	
Financing	Corporate	Industry	A	14,888	(74)			0.50%
	Corporate	Industry	B	15,408	(154)			1.00%
	Corporate	Commerce	B	7,021	(70)			1.00%
	Corporate	Services	B	31,100	(311)			1.00%
	Corporate	Commerce	C			8,914	(267)	3.00%
Advances on exchange contracts - ACC (i)	Corporate	Services	AA			197		
	Corporate	Services	A	1,683	(8)			0.50%
	Corporate	Services	B	746	(7)			1.00%
	Corporate	Services	C	560	(17)	3,556	(107)	3.00%
Repasses FINAME/BNDES	Corporate	Industry	AA	552				
	Corporate	Industry	A	1,148	(6)	2,199	(11)	0.50%
	Corporate	Commerce	A			2,254	(11)	0.50%
	Corporate	Industry	B			2,658	(27)	1.00%
	Corporate	Services	B			903	(9)	1.00%
	Individual		B	328	(3)			1.00%
	Corporate	Industry	C			992	(30)	3.00%
Individual		C			1,669	(50)	3.00%	
Other	Corporate	Services	H	1,046	(1,046)			100.00%
Current				326,440	(6,668)	151,101	(8,210)	
				(308,981)	(6,668)	(137,137)	(8,210)	
Long-term				17,459		13,964		

Banco Modal S.A. and Subsidiaries

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- (i) Balances recorded as reductions in the account "Other liabilities" and in the account "Income receivable from advances granted", as shown in Note 7.

(b) By maturity

							2008
Type of credit	Overdue			Falling due			Total
	Up to 90 days	From 91 to 180 days	From 181 to 360 days	Up to 180 days	From 181 to 360 days	After 360 days	
Loans and discounted notes	8,383	1,343	775	203,630	20,747	17,082	251,960
Financings				50,881	17,536		68,417
Advances on exchange contracts - ACC				2,243	746		2,989
FINAME/BNDES onlendings				933	718	377	2,028
Others			1,046				1,046
	<u>8,383</u>	<u>1,343</u>	<u>1,821</u>	<u>257,687</u>	<u>39,747</u>	<u>17,459</u>	<u>326,440</u>
							2007
Type of credit	Overdue			Falling due			Total
	Up to 90 days	From 91 to 180 days	From 181 to 360 days	Up to 180 days	From 181 to 360 days	After 360 days	
Loans and discounted notes	7,626	3,254	1,523	62,631	41,841	10,884	127,759
Financings				8,914			8,914
Advances on exchange contracts - ACC				3,753			3,753
FINAME/BNDES onlendings				4,328	3,267	3,080	10,675
	<u>7,626</u>	<u>3,254</u>	<u>1,523</u>	<u>79,626</u>	<u>45,108</u>	<u>13,964</u>	<u>151,101</u>

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(c) Credit assignment

The Bank carried out credit assignments without co-obligations, mainly to investment funds under its administration, in accordance with CMN Resolution No. 2836/01. The amounts of the operations effected are as follows:

	<u>2008</u>	<u>2007</u>
Book value of credits assigned	244,875	121,785
Trading value of credits assigned	<u>238,471</u>	<u>121,877</u>
Gain (loss) on credit assignments	<u>(6,404)</u>	<u>92</u>

(d) Movement in the allowance for loan losses

	<u>2008</u>	<u>2007</u>
At the beginning of the six-month period	6,461	4,860
Constitution during the six-month period	2,475	5,336
Credits written-off during the six-month period	(2,375)	(1,986)
Recovery of credits	<u>107</u>	<u></u>
At the end of the six-month period	<u>6,668</u>	<u>8,210</u>

7 Foreign Exchange Portfolio

	<u>2008</u>	<u>2007</u>
Other receivables		
Exchange purchases pending settlement	68,020	3,272
Rights on sale of exchange	65,859	
Income receivable from advances received (i)	<u>46</u>	<u>119</u>
	<u>133,925</u>	<u>3,391</u>
Other liabilities		
Liabilities from exchange purchases	68,802	3,634
Exchange sales pending settlement	65,235	
Advances on foreign exchange contracts (i)	<u>(2,943)</u>	<u>(3,634)</u>
	<u>131,094</u>	<u></u>

(i) Note 6(a).

Banco Modal S.A. and Subsidiaries

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8 Investments in Subsidiaries

	2008			2007		
	Modal Trading S.A.	Modal Energy S.A.	Modal Asset Management Ltda.	Modal Trading S.A.	Modal Energy S.A.	Modal Asset Management Ltda.
Number of shares/quotas held	100	100	996,998	100	100	996,998
Participation of Banco Modal S.A.	100%	100%	100%	100%	100%	100%
Capital	2,084	146	998	2,084	146	998
Stockholders'/Quotaholders' equity	2,250	157	4,453	2,256	159	1,242
Net income for the six-month period	91	4	3,455	107	6	620
Book value of investments	2,250	157	4,453	2,256	159	1,242
Equity in the earnings	91	4	3,455	107	6	620

9 Other Liabilities - Subordinated Debts

On March 27, 2006, the Bank obtained funds abroad in the amount of US\$ 30,000,000 through the issue of a subordinated debt instrument, restated by reference to the exchange variation and the London Interbank Offered Rate (LIBOR) of one year plus 2% per annum (p.a.). Interest is payable annually and the final maturity is in March 2015. The Brazilian Central Bank approved the eligibility of this instrument as Level II of the Referential Equity (PR).

10 Onlendings

	2008	2007
Represented by loans from the National Bank for Economic and Social Development (BNDES) and the Government Agency for Machinery and Equipment Financing (FINAME), subject to Long-term Interest Rate (TJLP) plus interest from 1.0% to 3.0% p.a. with maturities up to September 2010	1,949	10,253
Interest from 2.5% to 3% p.a. and restatement according to the BNDES currency basket, with maturities up to April 2009	77	412
Current	2,026 (1,649)	10,665 (7,585)
Long-term	377	3,080

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11 Income Tax and Social Contribution

The reconciliation between the amounts calculated considering the nominal rates and the amounts recorded in the statements of income for the six-month periods is as follows:

	2008		2007	
	Income tax	Social contribution	Income tax	Social contribution
Result before taxation and profit sharing	60,688	60,688	711	711
Profit sharing	(4,559)	(4,559)		
Interest on capital	(4,400)	(4,400)		
Adjustment to market value of securities and derivatives	(14,692)	(14,692)	(3,703)	(3,703)
Equity in the earnings of subsidiaries	(3,550)	(3,550)	(733)	(733)
Allowance for credit risk	2,475	2,475	5,335	5,335
Other permanent additions (i)	6,529	6,529	12	11
Other temporary additions (exclusions) (ii)	1,239	1,239	(594)	(594)
Calculation basis	43,730	43,721	1,028	1,027
Nominal rate	25%	9%	25%	9%
Additional 6% for CSLL as from May 2008		6%		
Income tax and social contribution - current	(10,920)	(5,095)	(245)	(92)
Constitution of deferred tax liability on temporary differences in the adjustment to market value - securities and derivatives	(3,673)	(2,853)	(926)	(333)
Reversal of tax credits on temporary differences in the allowance for credit risk and in the adjustment to market value - securities and derivatives	929	1,714	1,185	426
Income tax and social contribution - total	(13,664)	(6,234)	14	1
		<u>(19,898)</u>		<u>15</u>

- (i) Mainly refers to the result with credit assignments as mentioned in Note 6(c).
- (ii) Relates to the provision for COFINS, in which the collection has been suspended, and to adjustments of results for interest operations carried out in future settlement markets.

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The composition of consolidated income tax and social contribution for the six-month periods is as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Income tax</u>	<u>Social contribution</u>	<u>Income tax</u>	<u>Social contribution</u>
Banco Modal S.A.	13,664	6,234	(14)	(1)
Modal Trading S.A.	17	12	23	13
Modal Energy S.A.	1		1	
Modal Asset Management Ltda.	449	166	128	50
Income tax and social contribution	<u>14,131</u>	<u>6,412</u>	<u>138</u>	<u>62</u>
	<u>20,543</u>		<u>200</u>	

Tax credits and deferred tax liabilities arising from the valuation to market of securities and derivative financial instruments were calculated as mentioned in Note 2. They were recorded at present value and are presented as follows:

	<u>2008</u>	<u>2007</u>
Other receivables - sundry		
Deferred tax assets realizable in up to 360 days	11,332	9,875
Deferred tax assets realizable after 360 days	<u>7,413</u>	<u>196</u>
	<u>18,745</u>	<u>10,071</u>
Other liabilities - tax and social security contributions		
Deferred tax liabilities maturing in up to 360 days	20,658	7,755
Deferred tax liabilities maturing after 360 days	<u>870</u>	<u>805</u>
	<u>21,528</u>	<u>8,560</u>

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12 Stockholders' Equity

(a) Capital

Capital comprises 18,721 common shares (2007 - 17,575) and 18,721 nominative preferred shares (2007 -17,575), with no par value.

At the Extraordinary General Meeting held on December 28, 2007, the stockholders approved the capital increase of the Bank by R\$ 6,078 with funds from the interest on capital, through the issuance of 1,480 shares, divided into 740 new common shares and 740 new preferred shares.

At the Extraordinary General Meeting held on May 30, 2008, the stockholders approved the capital increase of the Bank by R\$ 40,000, through the partial incorporation of the statutory reserve, without the issuance of new shares. This increase is in the process of being confirmed by BACEN.

At the Extraordinary General Meeting held on April 27, 2008, the stockholders approved the dividend distribution amounting to R\$ 5,000.

At the Extraordinary General Meeting held on June 30, 2008, the stockholders approved the capital increase of the Bank by R\$ 3,740, with funds from interest on capital, through the issuance of 812 shares, divided into 406 new common shares and 406 new preferred shares. This increase is in the process of being confirmed by BACEN.

(b) Share rights

The stockholders of the Bank are assured a minimum dividend of 6% of capital, not to be less than 25% of net income adjusted in accordance with Law No. 6404/76.

Preferred shares have no voting rights and have priority on the return of capital, without the payment of a premium in the case of the Bank's liquidation, and the right to a minimum dividend of R\$ 0.01 per share.

(c) Interest on capital

In the six-month period ended June 30, 2008, utilizing the rights established in Article 9 of Law No. 9249/95, the Bank assigned to its stockholders interest on capital amounting to R\$ 4,400, corresponding to R\$ 117.52 per share, which reduced the income tax and social contribution charge by R\$ 1,760.

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To comply with the regulations of the federal tax administration, the Bank recorded the amount of interest on capital with "Other operating expenses" and, subsequently, for purposes of the presentation of the financial statements, reversed this amount in the same account and presented it as a distribution of net income, in the statement of changes in stockholders' equity.

(d) Legal reserve

This reserve is constituted at an amount equivalent to 5% of the net income computed each year, up to the limit established by Brazilian Corporate Law.

(e) Statutory reserve

This reserve is constituted with the remaining balance of adjusted net income, after deducting the distribution of dividends, in order to be incorporated into capital in future and/or to be distributed to the stockholders. The balance of this reserve together with the other revenue reserves cannot exceed the issued capital, otherwise the excess will have to be capitalized or distributed.

(f) Adjustment to market value - securities and derivatives

The adjustment represents unrealized gains and losses, arising from the adjustment to market value of securities classified as "available for sale", as stated in Note 4. These gains and losses are transferred to the corresponding statement of income accounts on the date on which they are effectively realized.

	<u>2008</u>	<u>2007</u>
At January 1	997	84
Adjustment of securities (Note 4)	2,928	701
Tax effects (considering the difference in the CSLL rate as from May 2008)	<u>(1,261)</u>	<u>(238)</u>
At June 30	<u>2,664</u>	<u>547</u>

Banco Modal S.A. and Subsidiaries

Notes to the Financial Statements at June 30, 2008 and 2007

All amounts in thousands of reais unless otherwise indicated

13 Operational Limit (Basel Agreement)

The financial institutions have to maintain a minimum stockholders' equity equivalent to 11% of their consolidated assets weighted by risk factors, increased by percentages on the credit risk of swap operations, on exposures in gold and on assets and liabilities linked to variations in foreign exchange and on interest rates variations, in accordance with rules and instructions of BACEN.

At June 30, the Bank was classified within this operational limit, as shown below:

	<u>2008</u>	<u>2007</u>
Regulatory capital (PR)	223,077	162,695
Stockholders' equity required (PLE)	<u>110,935</u>	<u>59,161</u>
Margin	<u>112,142</u>	<u>103,534</u>

14 Contingent Liabilities

Contingent liabilities arising from litigations or notifications of the supervising entities are evaluated by management with the support of the legal advisors of the Bank, and are recognized in the financial statements if they are classified as probable losses generating a probable outflow of resources for the settlement of the obligations and if the amounts involved can be measured with reasonable assurance.

The contingent assets are recognized in the financial statements only when there is certainty of collection or unappealable favorable court decisions have been obtained.

Similarly, liabilities relating to pending litigations are maintained in the financial statements until the final unappealable favourable court decision.

There are no relevant contingencies considered as probable losses by the external lawyers.

Banco Modal S.A. and Subsidiaries

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All amounts in thousands of reais unless otherwise indicated

15 Transactions with Related Parties

The transactions with related parties were carried out at the average market rates ruling at the dates of the transactions. The balances of these operations in the financial statements of Banco Modal S.A. in the six-month periods ended June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Assets		
Other receivables - sundry	105	107
Liabilities		
Call deposits	7	18
Time deposits	2,837	17,752
Other liabilities - sundry	188	68
Results		
Expenses with funds obtained in the market	(157)	(1,604)
Income from services rendered	63	63
Expenses with services rendered	(221)	(221)

16 Other Information

- (a) At June 30, 2008, the account "Other receivables" mainly comprised the prepayment of taxes to be offset amounting to R\$ 5,689 (2007 - R\$ 794), R\$ 18,769 (2007 - R\$ 10,071) of deferred tax assets as described in Note 11, R\$ 1,243 (2007 - R\$ 921) of advances for the acquisition of property and equipment and R\$ 646 (2007 - R\$ 90) of administration charges receivable from investment funds.
- (b) Income from services rendered refers basically to the income from the management and administration of investment funds and commissions received for effecting structured operations for clients. The net equity of the funds managed by the Bank at June 30, 2008 totaled R\$ 1,739,179 (2007 - R\$ 569,029).
- (c) At June 30, 2008, the account "Other operating income" basically comprised income from foreign exchange variations amounting to R\$ 3,718 (2007 - R\$ 3,956), arising from liabilities from the issue of a subordinated debt abroad (Note 9). "Other operating expenses" basically comprised expenses from foreign exchange variations amounting to R\$ 2,893 (2007 - R\$ 201).

Banco Modal S.A. and Subsidiaries

Notes to the Financial Statements

at June 30, 2008 and 2007

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The currency hedge of this liability, performed through derivative financial instruments, generated the opposite result recorded in "Result on derivative financial instruments".

- (d) At June 30, 2008, the Bank had co-obligations for guarantees provided amounting to R\$ 354,103 (2007 - R\$ 171,320).

17 Subsequent Events

On July 8, 2008, BACEN approved capital increases of the Bank amounting to R\$ 40,000 and R\$ 3,740, mentioned in Note 12 (a).

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