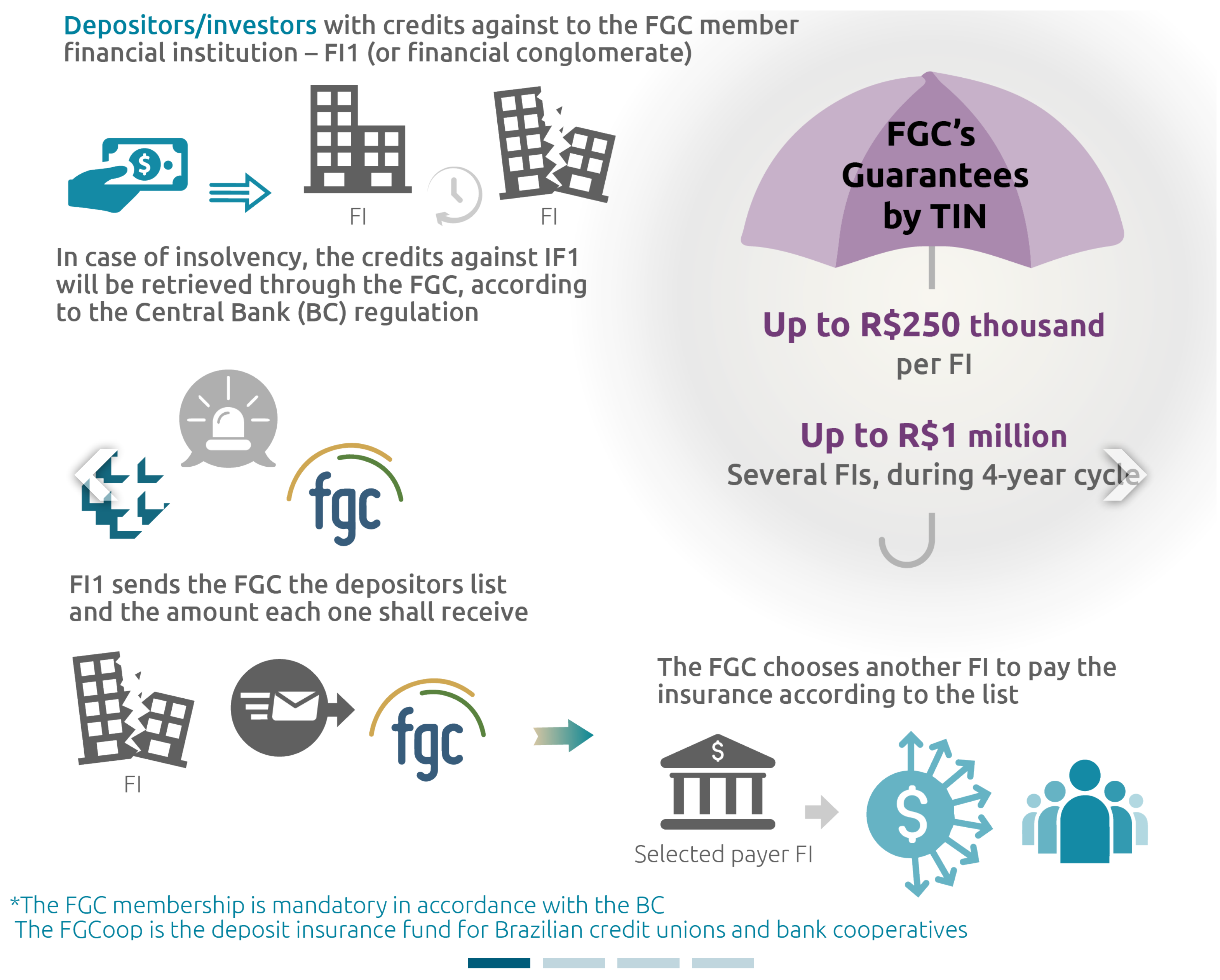
Deposit insurance (FGC and FGCoop)

In Brazil, deposit insurance is carried out by the Credit Guarantee Fund (FGC) and the Cooperative Guarantee Fund (FGCoop), which are private nonprofit entities established to manage protection mechanisms for clients of financial institutions in the event of resolution.

The FGC and FGCCoop are regulated by the National Monetary Council (CMN) and the Central Bank. CMN Resolutions No. 4,222/2013 and 4,284/2013 consolidate the statutes and regulation of deposit insurance provided by the FGC and FGCOOP, respectively.

Both the FGC and FGCoop provide insurance to the following credits:

- demand deposits or deposits drawable upon prior notice
- savings deposits
- time deposits with or without the issuance of certificate
- bills of exchange
- real estate notes (LH)
- mortgage notes
- real estate credit bills (LCI)
- agribusiness credit notes (LCA); and
- repurchase agreements that have as object securities issued by an affiliated company after March 8, 2012
- deposits kept in accounts other than checking accounts used for registration and control of the flow of funds relative to the payment of salaries, compensation, retirement benefits, pensions and the like.



FGC's guarantees

FGC's mandatory member institutions are the universal banks, commercial banks, investment banks, development banks; credit, financing and investment companies, real estate credit companies, mortgage companies and savings and loan associations and the Caixa.

The FGC's guarantee is up to R$250 thousand for the credits of each creditor—to be identified by its respective Individual (CPF) or Corporate (CNPJ) Taxpayer ID—against all member institutions of the same financial conglomerate, which shall be added together. For a four-year window, there is an additional ceiling of R$1 million per CPF or CNPJ. The ceiling period starts whenever a liquidation or intervention of a financial institution is decreed by the Central Bank and precipitates the payment of guarantees by the FGC. Upon expiration of this period, the ceiling is reinstated.

It is important to note that the deposits, loans or any other funds raised abroad, the operations related to programs of governmental interest instituted by law, and judicial deposits are not covered by the FGC's guarantee. Other assets not covered by the FGC's guarantee are:

- any financial instrument that contains a subordination clause, licensed or not by the Central Bank to comprise the regulatory capital of the financial institutions and other institutions authorized to operate by the Central Bank;
- credits owned by financial institutions and other institutions licensed by the Central Bank, private pension entities, insurance companies, capitalization companies, investment clubs, and investment funds; and
- credits consisting of shares of investment funds or that represent interests in the entities referred to in the previous item or in their own financial instruments.

FGCoop's guarantees

FGCoop members comprise all single credit unions that receive deposits from their members and two cooperative banks: Bancoob and Banco Sicredi. The FGCoop ensures equal conditions for competing with commercial banks and protect member institutions' depositors and investors by guaranteeing deposits up to R$250 thousand. The credit unions that do not take deposits (the so-called "capital/loan") are not required to be members to FGCoop.

Funding

Funds for the insurance provided by the FGC and the FGCoop come from ordinary contributions from their associated institutions, credit rights subrogated by the FGC/FGCoop from associated institutions under a resolution regime, income related to provision of services rendered by the FGC/FGCoop and the earnings from investments made by them. The FGCoop's income also consists of service fees charged on the issuance of bad checks, paid directly or indirectly by member institutions. The fees related to credit unions and cooperative banks that are paid to the FGC are transferred to FGCoop.

According to the Brazilian Fiscal Responsibility Law, unless stated in specific legislation, public funds—including those arising from credit operations—must not be used to rescue member institutions of the National Financial System (SFN). This prohibition extends to recovery loans or financing that would be aimed at enabling the transfer of shareholders control.