

## TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, will apply to the Subordinated Notes referred to in such Final Terms.

The Subordinated Notes are constituted by an amended and restated Trust Deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated March 17, 2011 and made between Itaú Unibanco Holding S.A. (the “**Bank**”) and The Bank of New York Mellon (the “**Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders. In these terms and conditions the “**Issuer**” means the Bank, or any successor thereto, acting through its head office or through its Grand Cayman Branch, as specified in the Subordinated Notes. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Subordinated Notes. Copies of the Trust Deed and of the Agency Agreement (as amended from time to time, the “**Agency Agreement**”) dated March 29, 2010 and made among the Issuer, the Trustee and the Agents available for inspection during usual business hours at the specified offices of each of the Trustee and the principal paying agent, the paying agent in London, the other paying agents, the calculation agent, the registrar, the replacement agent and the transfer agents for the time being. Such persons are referred to below respectively as the “**Principal Paying Agent**”, the “**London Paying Agent**”, the “**Paying Agents**” (which expression shall include the London Paying Agent but shall not include the Principal Paying Agent), the “**Calculation Agent**”, the “**Registrar**”, the “**Replacement Agent**” and the “**Transfer Agents**” and together as the “**Agents**”. The Noteholders are entitled to the benefit of, are bound by and are deemed to have notice of all of the provisions of the Trust Deed and of the relevant Final Terms and are deemed to have notice of those applicable to them of the Agency Agreement. References in these Terms and Conditions to Subordinated Notes are to Subordinated Notes of the relevant Series. References in these Terms and Conditions to the Final Terms are to the Final Terms as prepared in relation to the Subordinated Notes of the relevant Tranche or Series. The Final Terms in relation to any Subordinated Notes may specify other terms and conditions which shall, to the extent specified or to the extent inconsistent with the following Terms and Conditions, replace the following Terms and Conditions for the purposes of such Subordinated Notes.

### 1. Form, Denomination, Title, Specified Currency and Final Terms

(a) *Form*: The Subordinated Notes of the Series of which the Subordinated Note to which these Terms and Conditions are attached are issued in registered form and as subordinated notes in accordance with these Terms and Conditions and Resolution 3,444 (the “**Subordinated Notes**”), and Subordinated Notes comprising each such Series will be issued in each case in the nominal amount of a Specified Denomination. These Terms and Conditions must be read accordingly. The Specified Denomination of each Subordinated Note is specified in the relevant Final Terms.

A definitive Subordinated Note will be issued to each Holder of Subordinated Note(s) in respect of its registered holding or holdings (each a “**Definitive Note**”). Each Definitive Note will be numbered serially with an identifying number which will be recorded in the register (the “**Register**”) which the Issuer shall procure to be kept by the Registrar.

Any Subordinated Note, the principal amount of which is repayable in instalments (an “**Instalment Note**”), will have endorsed thereon a grid for recording the repayment of principal.

(b) *Denomination*: “**Specified Denominations**” will be the minimum denomination specified in the relevant Final Terms or integral multiples thereof.

(c) *Title*: Title to Subordinated Notes shall pass by registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Subordinated Note shall be deemed to be and may be treated as the absolute owner of such Subordinated Note for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Subordinated Note shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Terms and Conditions, each of “**Noteholder**” and “**Holder**” means the person in whose name a Subordinated Note is registered, “**Series**” means Subordinated Notes which have identical terms and conditions, other than in respect of the Issue Date, the date on which interest commences to accrue and related matters, and

“**Tranche**” means, in relation to a Series, those Subordinated Notes of such Series which have the same Issue Date.

(d) *Specified Currency*: The Specified Currency of any Subordinated Note and, if different, any Specified Principal Payment Currency or Specified Interest Payment Currency, are as specified in the relevant Final Terms. All payments of principal in respect of a Subordinated Note shall be made in the Specified Currency or, if applicable, the Specified Principal Payment Currency and all payments of interest in respect of a Subordinated Note shall be made in the Specified Currency or, if applicable, the Specified Interest Payment Currency.

(e) *Final Terms and Additional Terms*: References in these Terms and Conditions to terms specified in the relevant Final Terms issued in respect of a Tranche which includes such Subordinated Note (each the “**Final Terms**”), shall be deemed to include terms specified in the Subordination Nucleus set out as Exhibit A to the relevant Final Terms, issued in respect of a Tranche which includes such Subordinated Notes.

(f) *Interpretation*: Capitalised terms used in these Terms and Conditions in respect of a Subordinated Note, and not specifically defined in these Terms and Conditions, have the meaning given to them specified on the Subordinated Note or in the relevant Final Terms issued in respect of a Tranche which includes such Subordinated Note. Additional provisions relating to the Subordinated Notes may be contained in the Final Terms or specified on the Subordinated Note and will take effect as if originally specified in these Terms and Conditions. The Final Terms in respect of index linked interest Subordinated Notes, Instalment Notes, dual currency Subordinated Notes and other types of Subordinated Notes the terms of which are not specifically provided for herein, shall set out in full all terms applicable to such Subordinated Note.

## 2. Definitions

“**Affiliate**” means any legal entity related to the Issuer within the same financial conglomerate or economic/financial consolidated group.

“**Alternative Payment Mechanism**” has the meaning given to it in the relevant Final Terms.

“**Arrears Rate**” has the meaning given to it in the relevant Final Terms.

“**Bankruptcy Event**” has the meaning given to it in Condition 17(b).

“**Benchmark**” has the meaning given to it in Condition 5(II)(b).

“**Brazil**” means the Federative Republic of Brazil.

“**Brazilian Governmental Authority**” means, as applicable, the government of Brazil, or any political subdivision thereof, whether federal, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Issuer.

“**Broken Amount**” has the meaning given to it in the relevant Final Terms.

“**Business Centre**” has the meaning given to it in the relevant Final Terms.

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates, and, in this context, the following expressions shall have the following meanings:

(a) the “**Floating Rate Business Day Convention**”, in which case interest on a Subordinated Note shall be payable on each Specified Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date in the calendar month which is the Interest Period specified in the relevant Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred, *provided* that:

(i) if there is no such numerically corresponding day in the calendar month in which a Specified Interest Payment Date should occur, then the relevant Specified Interest Payment Date will be the last day which is a Relevant Business Day in that calendar month;

(ii) if a Specified Interest Payment Date would otherwise fall on a day which is not a Relevant Business Day, then the relevant Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Relevant Business Day; and

(iii) if such Interest Commencement Date or the preceding Specified Interest Payment Date occurred on the last day in a calendar month which was a Relevant Business Day, then all subsequent Specified Interest Payment Dates in respect of such Subordinated Note will be the last day which is a Relevant Business Day in the calendar month which is the Interest Period specified in the relevant Final Terms after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Specified Interest Payment Date occurred; or

(b) the “**Modified Following Business Day Convention**”, in which case interest on a Subordinated Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified in the relevant Final Terms, *provided* that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

(c) the “**Following Business Day Convention**”, in which case interest on a Subordinated Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified in the relevant Final Terms, *provided* that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first following day which is a Relevant Business Day; or

(d) the “**Preceding Business Day Convention**”, in which case interest on a Subordinated Note shall be payable on such Interest Payment Dates or Specified Interest Payment Dates as may be specified in the relevant Final Terms, *provided* that, if any Interest Payment Date or Specified Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date or Specified Interest Payment Date will be the first preceding day which is a Relevant Business Day; or

(e) such other Business Day Convention as may be specified in the relevant Final Terms.

“**Calculation Agent**” has the meaning given to it in the relevant Final Terms, *provided* that for the purposes of Condition 5(II)(b)(iv), it has the meaning given to it in the ISDA Definitions.

“**Central Bank**” means the Central Bank of Brazil or any Brazilian Governmental Authority that replaces the Central Bank of Brazil in its current functions applicable to these Terms and Conditions.

“**Clearstream, Luxembourg**” means Clearstream Banking, société anonyme.

“**Covenant Defeasance**” has the meaning given to it in Condition 20(b).

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Subordinated Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “**Calculation Period**”):

(a) if “**Actual/365**” or “**Actual/Actual-ISDA**” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(b) if “**Actual/365 (Fixed)**” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;

(c) if “**Actual/360**” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;

(d) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first

day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(e) if “**30E/360**” or “**Eurobond Basis**” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);

(f) if “**Actual/Actual-ISMA**” is specified in the relevant Final Terms, (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (b) if the Calculation Period is longer than one Determination Period, the sum of: (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(g) if “**Bus/252**” is specified in the relevant Final Terms, the number of Relevant Business Days in the Calculation Period divided by 252.

“**Dealer Agreement**” means the amended and restated dealer agreement dated the date of the Trust Deed between the Issuer, Banco Itaú BBA International, S.A. - London Branch, Goldman, Sachs and Co. and Morgan Stanley & Co. Incorporated and includes any agreement by which any additional dealers accede to such dealer agreement.

“**Defeased Notes**” has the meaning given to it in Condition 20(a).

“**Definitive Note**” has the meaning given to it in Condition 1(a).

“**Designated Maturity**” has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 5(II)(b)(iv), the meaning given to it in the ISDA Definitions.

“**Determination Date**” means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date.

“**Documents**” has the meaning given to it in Condition 11(d)(ii).

“**DTC**” has the meaning given to it in Condition 7(c).

“**DTC business day**” has the meaning given to it in Condition 7(a)(ii).

“**Early Redemption Amount**” has the meaning given to it in the relevant Final Terms.

“**Euro**” means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty.

“**Euroclear**” means Euroclear Bank S.A./N.V.

“**Euro Exchange Date**” has the meaning given to it in Condition 21(c)(ii)(x).

“**Euro Exchange Notice**” has the meaning given to it in Condition 21(c)(ii)(x).

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty.

“**Event of Default**” has the meaning given to it in Condition 9.

**“Exchange”** has the meaning given to it in Condition 5(II)(f).

**“Exchange Act”** has the meaning given to it in Condition 19(b).

**“Extraordinary Resolution”** has the meaning given to it in Condition 11(a).

**“Final Redemption Amount”** has the meaning given to it in Condition 6(a).

**“Final Terms”** has the meaning given to it in Condition 1(e).

**“Fixed Coupon Amount”** or **“Fixed Coupon Amounts”** has the meaning given to it in the relevant Final Terms.

**“Fixed Rate Note”** has the meaning given to it in Condition 5(I).

**“Floating Rate”** has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 5(II)(b)(iv), the meaning given to it in the ISDA Definitions.

**“Floating Rate Note”** has the meaning given to it in Condition 5(II).

**“Floating Rate Note Provisions”** has the meaning given to it in the relevant Final Terms.

**“Floating Rate Option”** has the meaning given to such term in the ISDA Definitions.

**“Government Obligation”** means (x) any security that is (i) a direct obligation of the United States of America or any country in the Euro-zone for the payment of which the full faith and credit of the United States of America or any country in the Euro-zone, as the case may be, is pledged or (ii) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America or any country in the Euro-zone the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America or any country in the Euro-zone, as the case may be, which, in either case under the preceding clause (i) or (ii) is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any Government Obligation that is specified in clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any Government Obligation that is so specified and held, *provided* that (except as required by law) such custodian is not authorised to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

**“Holder”** has the meaning given to it in Condition 1(c).

**“Instalment Amount”** has the meaning given to it in Condition 6(a).

**“Instalment Note”** has the meaning given to it in Condition 1(a).

**“Interest Amount”** has the meaning given to it in Condition 5(II)(d).

**“Interest Commencement Date”** means, in the case of the first issue of a Subordinated Note or Subordinated Notes of a Series, the Issue Date or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms.

**“Interest Determination Date”** means, in respect of any Interest Period, the date which falls that number of days specified in the relevant Final Terms on which banks and foreign exchange markets are open for business in the Relevant Banking Centre prior to the first day of such Interest Period or, if none is so specified, the day falling two Relevant Business Days prior to the first day of such Interest Period.

**“Interest Payment Date”** has the meaning given to it in the relevant Final Terms.

**“Interest Period”** means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Specified Interest Payment Date and each successive period beginning on (and including) a Specified Interest Payment Date to (but excluding) the next succeeding Specified Interest Payment Date.

**“ISDA Definitions”** means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms.

**“ISDA Determination”** has the meaning given to it in the relevant Final Terms.

**“ISDA Rate”** has the meaning given to it in Condition 5(II)(b)(iv).

**“Issue Date”** means, in respect of any Subordinated Note or Subordinated Notes, the date of issue of such Subordinated Note or Subordinated Notes.

**“Issuer Request”** means a written request signed in the name of the Issuer by an authorised officer of the Issuer.

**“Margin”** means the percentage rate per annum specified in the relevant Final Terms.

**“Maturity Date”** has the meaning given to it in the relevant Final Terms.

**“Maximum Rate of Interest”** has the meaning given to it in the relevant Final Terms.

**“Minimum Rate of Interest”** has the meaning given to it in the relevant Final Terms.

**“New Residence”** has the meaning given to it in Condition 11(d)(iii).

**“Noteholder”** has the meaning given to it in Condition 1(c).

**“Opinion of Counsel”** means a written opinion of counsel from any person which may include, without limitation, counsel for the Issuer, whether or not such counsel is an employee of the Issuer, in all cases in form and substance reasonably acceptable to the Trustee.

**“Optional Redemption Amount”** has the meaning given to it in the relevant Final Terms.

**“Optional Redemption Date”** has the meaning given to it in the relevant Final Terms.

**“Original Withholding Level”** has the meaning given to it in the relevant Final Terms.

**“Parity Liabilities”** means, with respect to the Issuer, any securities or liabilities that have been or will be deemed part of the Issuer’s regulatory capital (*Patrimônio de Referência*) in accordance with and established by Resolution 3,444, except for the Second Priority Liabilities.

**“Participating Member State”** has the meaning given to it in Condition 21(b).

**“person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having a separate legal personality.

**“Potential Event of Default”** means an event or circumstance which would with the giving of notice, lapse of time, issue of a certificate or fulfillment of any other requirement provided for in Condition 9 become an Event of Default.

**“Primary Source”** has the meaning given to it in the relevant Final Terms.

**“Private Placement Legend”** has the meaning given to it in Condition 3(e).

**“Proceedings”** has the meaning given to it in Condition 23(b).

**“Rate Multiplier”** means the percentage rate or number applied to the relevant Rate of Interest, as specified in the relevant Final Terms.

**“Rate of Interest”** has the meaning given to it in the relevant Final Terms.

**“Record Date”** has the meaning given to it in Condition 7(a).

**“Redenomination Date”** has the meaning given to it in Condition 21(b).

**“Reference Banks”** has the meaning given to it in the relevant Final Terms.

**“Reference Rate”** means, for any Subordinated Note, the bid, offered or mean of bid and offered rate, as specified in the relevant Final Terms, for the floating rate specified in the relevant Final Terms.

**“Register”** has the meaning given to it in Condition 1(a).

**“Regulatory Event”** means, subsequent to the time that the Subordinated Notes initially qualify as Tier 2 Capital, the Central Bank or any other applicable Brazilian Governmental Authority provides written notice that the Subordinated Notes may not be included in the consolidated Tier 2 Capital of the Issuer.

**“Relevant Banking Centre”** means, for any Subordinated Note, the Relevant Banking Centre specified in the relevant Final Terms or, if none is so specified, the banking centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be Europe) or, if none is so connected, London.

**“Relevant Business Day”** means:

(a) in the case of a currency other than Euro, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Relevant Financial Centre; or

(b) in the case of Euro, a TARGET Business Day; and

(c) in the case of any currency, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the Business Centre(s) specified in the relevant Final Terms.

**“Relevant Date”** has the meaning given to it in Condition 8.

**“Relevant Financial Centre”** means the principal financial centre for the relevant currency (which in the case of Euro shall be Europe), as specified in the relevant Final Terms.

**“Relevant Notes”** has the meaning given to it in Condition 11(d).

**“Relevant Time”** means the local time in the Relevant Banking Centre at which it is customary to determine bid, mean and offered rates in respect of deposits in that currency in the interbank market in that Relevant Banking Centre or, if no such customary local time exists, 11.00 A.M. in the Relevant Banking Centre and for this purpose **“local time”** means, with respect to Europe as a Relevant Banking Centre, Brussels time.

**“Reset Date”** has the meaning given to it in the relevant Final Terms and, for the purposes of Condition 5(II)(b)(iv), has the meaning given to such term in the ISDA Definitions.

**“Resolution 2,099”** means Resolution No. 2,099 of August 17, 1994 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as amended, modified, supplemented or superseded from time to time.

**“Resolution 3,444”** means Resolution No. 3,444 of February 28, 2007 issued by the *Conselho Monetário Nacional* (the National Monetary Council), as amended, modified, supplemented or superseded from time to time.

**“Risk-Based Capital Requirements”** has the meaning given to it in Condition 17(c)(i).

**“Screen Rate Determination”** has the meaning given to it in the relevant Final Terms.

**“Second Priority Liabilities”** means all types or classes of the Issuer’s capital stock.

**“Securities Act”** has the meaning given to it in Condition 3(e).

**“Senior Liabilities”** means all liabilities of the Issuer, except for the Parity Liabilities and the Second Priority Liabilities.

**“Series”** has the meaning given to it in Condition 1(c).

**“Specified Currency”** has the meaning given to it in the relevant Final Terms.

**“Specified Denomination”** has the meaning given to it in Condition 1(b).

**“Specified Interest Payment Currency”** has the meaning given to it in the relevant Final Terms.

**“Specified Interest Payment Date”** means each date which falls on the last day of the Interest Period specified in the relevant Final Terms after the preceding Specified Interest Payment Date or, in the case of the first Specified Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Subordinated Note, in each case as adjusted by the Business Day Convention specified in the relevant Final Terms.

**“Specified Principal Payment Currency”** has the meaning given to it in the relevant Final Terms.

**“Subordinated Notes”** has the meaning given to it in Condition 1(a).

**“Subordination Nucleus”** means the subordination nucleus prepared in accordance with Resolution 3,444, as annexed to the relevant Final Terms.

**“Substituted Debtor”** has the meaning given to it in Condition 11(d).

“**Successor Corporation**” has the meaning given to it in Condition 18(a).

“**Swap Transaction**”, for the purposes of Condition 5(II)(b)(iv), has the meaning given to such term in the ISDA Definitions.

“**TARGET Business Day**” means a day on which the TARGET System is operating.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System, which was launched on November 19, 2007 or any successor thereto.

“**Taxes**” has the meaning given to it in Condition 8.

“**Terms and Conditions**” means these terms and conditions as amended and supplemented by the relevant Final Terms in relation to a Series of Subordinated Notes.

“**Tier 2 Capital**” means any capital raised by the Issuer or by its Affiliates, which was or will be authorized by the Central Bank as Tier 2 of the regulatory capital (*patrimônio de referência*), as set forth in Resolution 3,444.

“**Tranche**” has the meaning given to it in Condition 1(c).

“**Transaction Documents**” means the Trust Deed, the Agency Agreement, the Dealer Agreement and the relevant Subordinated Notes (other than the Subordination Nucleus annexed thereto).

“**Treaty**” means the treaty establishing the European Community, as amended.

### 3. Transfers of Subordinated Notes and Issue of Definitive Subordinated Notes

(a) *Transfer of Subordinated Notes*: A Subordinated Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part in a Specified Denomination upon the surrender of the Definitive Note issued in respect of the Subordinated Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Subordinated Note a new Definitive Note in respect of the balance not transferred will be issued to the transferor. Each new Definitive Note to be issued to the transferee upon transfer of such Subordinated Note will, within three Relevant Business Days of receipt of such form of transfer, be mailed at the risk of the Holder entitled to the new Definitive Note to such address as may be specified in such form of transfer.

(b) *Transfer Free of Charge*: Registration of transfer will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) *Closed Periods*: No Noteholder may require the transfer of a Subordinated Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal (being, for the purposes of these Terms and Conditions, unless the context otherwise requires, the amount payable on redemption of a Subordinated Note) of that Subordinated Note, (ii) during the period of 60 days prior to any date on which Subordinated Notes of the relevant Series may be redeemed by the Issuer at its option pursuant to Condition 17(d)(iii) or (vi) after any notice has been delivered for redemption in whole or in part of any Subordinated Note in accordance with Condition 17(d).

(d) *Regulations*: All transfers of Subordinated Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Subordinated Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available by the Registrar to any Holder of a Subordinated Note upon request.

(e) *Private Placement Legend*: Upon the transfer, exchange or replacement of Subordinated Notes bearing the private placement legend (the “**Private Placement Legend**”) for the purpose of Rule 144A under the Securities Act of 1933, as amended (the “**Securities Act**”), set forth in the form of a Subordinated Note scheduled to the Agency Agreement, the Registrar shall deliver only Subordinated Notes that also bear such legend, unless the Issuer otherwise determines in compliance with applicable law.



#### 4. Status

The Subordinated Notes (which will specify their status in the relevant Final Terms as subordinated) constitute direct, unsecured and subordinated obligations of the Issuer and shall be subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with the provisions of Condition 17. The Subordinated Notes shall rank *pari passu* and without preference among themselves and equally with all other present and future unsecured and subordinated obligations of the Issuer under the terms of Resolution 3,444 (other than those preferred by mandatory provisions of law).

#### 5. Interest

One or more of the following provisions apply to each Subordinated Note, as specified in the relevant Final Terms.

##### (I) Fixed Rate Notes

This Condition 5(I) applies to a Subordinated Note in respect of which the Fixed Rate Note provisions are specified in the relevant Final Terms as being applicable (a “**Fixed Rate Note**”).

(a) *Interest Rate and Accrual*: Each Subordinated Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date in respect thereof at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified in the relevant Final Terms. Such interest is payable in arrears on each Interest Payment Date in each year and on the Maturity Date specified in the relevant Final Terms if that date does not fall on an Interest Payment Date. The amount(s) of interest payable in respect of such Subordinated Note may be specified in the relevant Final Terms as the Fixed Coupon Amount(s) or, if so specified, the Broken Amount. If the Subordinated Notes are in more than one Specified Denomination, the amount of interest payable in respect of each Subordinated Note for any Interest Period shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

The first payment of interest on a Subordinated Note will be made on the Interest Payment Date next following the relevant Interest Commencement Date. If the period between the Interest Commencement Date and the first Interest Payment Date is different from the period between Interest Payment Dates, the first payment of interest on a Subordinated Note will be the amount specified in the relevant Final Terms as being the initial Broken Amount. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or from (and including) the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the amount specified in the relevant Final Terms as being the final Broken Amount.

Interest will cease to accrue on each Subordinated Note on the due date for redemption (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation or surrender, payment of principal is improperly withheld or refused by the Issuer. In such event interest will continue to accrue, both before and after judgment, in the manner provided in this Condition 5(I) and at the rate equal to the sum of the rate provided in this Condition 5(I) plus the Arrears Rate until the Relevant Date (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Terms and Conditions). Interest on any overdue interest will accrue (to the extent permitted by applicable law) at the rate equal to the sum of the rate provided in this Condition 5(I) plus the Arrears Rate.

(b) *Calculations*: Interest in respect of a period of less than the period between Interest Payment Dates (or, in the case of the first Interest Period, the period between the Interest Commencement Date and the first Interest Payment Date) or, in the case of the final Interest Period, the period between the final Interest Payment Date and the Maturity Date) will be calculated using the applicable Day Count Fraction.

##### (II) Floating Rate Notes

This Condition 5(II) applies to a Subordinated Note in respect of which the Floating Rate Note provisions are specified in the relevant Final Terms as being applicable (a “**Floating Rate Note**”).

(a) *Specified Interest Payment Dates*: Each Subordinated Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date in respect thereof and such interest will be payable in arrears on each Specified Interest Payment Date.

(b) *Rate of Interest*: Each Subordinated Note bears interest at a floating rate which may be based on one or more interest rate or exchange rate indices or as otherwise specified in the relevant Final Terms (each a “**Benchmark**”). The dates on which interest shall be payable on a Subordinated Note, the Benchmark and the basis for calculation of each amount of interest payable in respect of such Subordinated Note on each such date and on any other date on which interest becomes payable in respect of such Subordinated Note, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any amount due but unpaid in respect of such Subordinated Note shall be as set out below, unless otherwise specified in the relevant Final Terms. Subject to Condition 5(II)(c), the Rate of Interest payable from time to time will, unless otherwise specified in the relevant Final Terms, be determined by the Calculation Agent on the basis of the following provisions:

(i) At or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, the Calculation Agent will:

(A) in the case of a Subordinated Note which specifies that the Primary Source for the Floating Rate shall be derived from a specified page, section or other part of a particular information service (each as specified in the relevant Final Terms), determine the Rate of Interest for such Interest Period which shall, subject as provided below, be (x) the Reference Rate so appearing in or on that page, section or other part of such information service (where such Reference Rate is a composite quotation or interest rate per annum or is customarily supplied by one person) or (y) the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates of the persons at that time whose Reference Rates so appear in or on that page, section or other part of such information service, in any such case in respect of deposits in the relevant Specified Currency made with or by such person or persons for a period equal to the duration of such Interest Period; and

(B) in the case of a Subordinated Note that specifies that the Primary Source for the Floating Rate shall be the Reference Banks specified in the relevant Final Terms and in the case of a Subordinated Note falling within Condition 5(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest is to be determined by reference to the arithmetic mean of quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 5(II)(b)(i)(A)(y) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Centre of each of the Reference Banks specified in the relevant Final Terms (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 5(II)(b)(i) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in an amount that is representative in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 5(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.

(ii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B) in respect of a Subordinated Note, more than one but not all of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined in accordance with Condition 5(II)(b)(i)(B) on the basis of the Reference Rates quoted by those Reference Banks.

(iii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B), only one or none of such Reference Banks provide such Reference Rates, the Rate of Interest for the relevant Interest Period shall be the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Centre for such Specified Currency or, if the Specified Currency is Euro, in Europe as selected by the Calculation Agent (after consultation with the Issuer) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Centre or, if the Specified Currency is Euro, in Europe, *provided* that, if the banks so selected by the Calculation

Agent are not quoting as aforesaid, the Rate of Interest shall, subject as provided below, be the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(II)(b)(i)(A) or (B) or Condition 5(II)(b)(ii) applied.

(iv) In the case of a Subordinated Note which specifies that the manner in which the Rate of Interest is to be determined shall be ISDA Determination, the Rate of Interest for each Interest Period shall, subject as provided below, be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (iv), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified in the relevant Final Terms;
- (B) the Designated Maturity is a period specified in the relevant Final Terms; and
- (C) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (iv), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(c) *Minimum/Maximum Rates:* If a Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest applicable to that Subordinated Note shall in no event be less than it and if a Maximum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest applicable to that Subordinated Note shall in no event exceed it.

(d) *Determination of Rate of Interest and Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest in the manner provided for in this Condition 5(II) and calculate the amount of interest payable (the “**Interest Amount**”) in respect of the minimum Specified Denomination for the relevant Interest Period. The Interest Amount shall be calculated by applying the Rate of Interest adjusted, if necessary, by any Margin or Rate Multiplier to the minimum Specified Denomination, and multiplying such product by the applicable Day Count Fraction and rounding, if necessary, the resultant figure to the nearest sub-unit of the relevant currency. The determination of the Rate of Interest and the Interest Amount by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties and the Calculation Agent shall have no liability whatsoever in connection with the exercise of its powers and duties hereunder or otherwise in connection with the Subordinated Notes, absent gross negligence or willful misconduct. For this purpose a “sub-unit” means, in the case of any currency other than dollar, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of dollar, means one cent.

(e) *Calculation of Other Amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, promptly after the time or times at which any such amount is to be determined or calculated, notify the relevant amount to the Issuer and the Noteholders. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(f) *Notification of Rate of Interest and Interest Amount:* The Calculation Agent will cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Specified Interest Payment Date and any other amount required to be determined by it to be notified to the Trustee, the Issuer, each of the Agents, the Noteholders (in accordance with Condition 19(a)) and if the relevant Subordinated Notes are for the time being listed on any stock exchange (each an “**Exchange**”), the Exchange, as soon as possible after their determination but in no event later than three Relevant Business Days after their determination. The Interest Amount and the Specified Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(g) *Interest Accrual:* Interest will cease to accrue on each Subordinated Note on the due date for redemption (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation or surrender, payment of principal is improperly withheld or refused by the Issuer. In such event interest will continue to accrue, both before and

after judgment, in the manner provided in this Condition 5(II) and at the rate equal to the sum of the rate provided in this Condition 5(II) plus the Arrears Rate until the Relevant Date (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Terms and Conditions). Interest on any overdue interest will accrue (to the extent permitted by applicable law) at the rate equal to the sum of the rate provided in this Condition 5(II) plus the Arrears Rate.

(h) *Calculation Agent and Reference Banks:* The Issuer will procure that, so long as any Subordinated Note to which this Condition 5(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Subordinated Note and, so long as the Primary Source for Floating Rate for such Subordinated Note is Reference Banks, there shall at all times be four Reference Banks with offices in the Relevant Banking Centre. The Issuer will also ensure that, in the case of any Subordinated Note the determination of interest for which falls within Condition 5(II)(b)(i)(A) and in respect of which no Reference Rate appears at or about the Relevant Time, or in respect of which less than two Reference Rates appear at or about the Relevant Time, there shall be four Reference Banks appointed for such Subordinated Note with offices in the Relevant Banking Centre. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Issuer will appoint another Reference Bank with an office in the Relevant Banking Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amount or any other amount to be calculated by the Calculation Agent pursuant to the relevant Final Terms, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

### (III) Deferral of Interest on Subordinated Notes

Subordinated Notes, whether such Subordinated Notes are Fixed Rate Notes or Floating Rate Notes, shall be subject to the provisions relating to deferral of interest set forth in Condition 17.

## 6. Redemption and Purchase

(a) *Final Redemption:* Unless previously redeemed or purchased and cancelled, and subject as provided in Condition 6(d), each Subordinated Note will be redeemed at its redemption amount (“**Final Redemption Amount**”) being its nominal amount or such other amount as is specified in the relevant Final Terms or, in the case of Instalment Notes, in such number of instalments and in such amounts (“**Instalment Amount**”) as may be specified in the relevant Final Terms, on the applicable Maturity Date specified in the relevant Final Terms.

(b) *Repurchases:* The Issuer and any of its Affiliates may repurchase Subordinated Notes in the open market or otherwise only in accordance with the provisions set forth in Condition 17. For purposes of paragraphs (d) (i), (ii), (iii) and (iv) of Condition 17 with respect to a repurchase or redemption, as the case may be, that may be made by the Issuer, references to the Issuer shall include the Bank, or any successor thereto, acting through its head office or any branch office.

(c) *Redemption of Subordinated Notes:* Subordinated Notes may be redeemed at the option of the Issuer only in accordance with the provisions set forth in Condition 17. Subordinated Notes may not be redeemed at the option of Noteholders of Subordinated Notes.

(d) *Deferral of Principal on Subordinated Notes:* Subordinated Notes shall be subject to the provisions relating to deferral of principal payments thereon set forth in Condition 17.

(e) *Cancellation:* All Subordinated Notes redeemed will be cancelled promptly. Any Subordinated Notes purchased in accordance with Condition 17(d) subject as otherwise specified in the relevant Final Terms, may at the option of the Issuer, be cancelled or may be resold. Subordinated Notes which are cancelled following any redemption or purchase made in accordance with Condition 17(d), subject as otherwise specified in the relevant Final Terms, may at the option of the Issuer be re-issued.

## 7. Payments

(a) *Payments of Principal and Interest:* Payments of principal and interest in respect of Subordinated Notes will be made or procured to be made by the Principal Paying Agent on the due date for payment to the person shown on the Register (or, in case of joint Holders, the first named) at the close of business (local time in the place of the

specified office of the Principal Paying Agent) (i) in the case of a Registered Note registered in the name of, or the name of a nominee for, DTC, on the fifteenth DTC business day before the due date for payment thereof; and (ii) in the case of a Registered Note deposited with a common depository for, and registered in the name of a common nominee of, Euroclear or Clearstream, Luxembourg, one day on which Euroclear or Clearstream, Luxembourg, as the case may be, is open for business before the due date for payment thereof (the “**Record Date**”):

(i) by cheque drawn on, or by transfer to an account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, maintained by the payee with, a bank in the Relevant Financial Centre of such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, or, in the case of Euro, in a city in which banks have access to the TARGET System; or

(ii) as may otherwise be specified in the relevant Final Terms as an Alternative Payment Mechanism,

subject in each case to Condition 7(c). For the purposes of this Condition 7, “**DTC business day**” means any day on which DTC is open for business.

Payments of principal in respect of Subordinated Notes will only be made against (except for, in the case of an Instalment Note, payment of any instalment other than the final instalment) surrender of the relevant Definitive Note at the specified office of any Transfer Agent. Upon application by the Holder to the specified office of any Transfer Agent not less than 15 days before the due date for any payment in respect of a Subordinated Note, such payment will be made by transfer to an account maintained by the payee with a bank in the Relevant Financial Centre or, in the case of Euro, in a city in which banks have access to the TARGET System. Details of the account to which a registered Holder’s payments will be made should be notified by the Holder to the specified office of the Principal Paying Agent before the Record Date preceding the relevant payment date. If the amount of principal being paid is less than the nominal amount of the relevant Definitive Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Note with a nominal amount equal to the remaining unpaid nominal amount.

(b) *Payment Initiation*: Where payment is to be made by transfer to an account in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payment instructions (for value the due date, or if that is not a Relevant Business Day, for value the first following day which is a Relevant Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed (at the risk of the Holder of such Subordinated Note) on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Definitive Note has not been surrendered at the specified office of any Transfer Agent, on a day on which the Principal Paying Agent is open for business and on which the relevant Definitive Note is surrendered.

(c) *Payments Through The Depository Trust Company*: Subordinated Notes, if so specified on them, will be issued in the form of one or more Definitive Notes registered in the name of, or the name of a nominee for, The Depository Trust Company (“**DTC**”). Payments of principal and interest in respect of Subordinated Notes denominated in U.S. dollars will be made in accordance with Conditions 6(a) and (b). Payments of principal and interest in respect of Subordinated Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency or in respect of which payments are to be made in a Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, other than U.S. dollars will be made or procured to be made by the Principal Paying Agent in the relevant Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, in accordance with the following provisions. The amounts in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, payable by the Principal Paying Agent or its agent to DTC with respect to Subordinated Notes held by DTC or its nominee will be received from the Issuer by the Principal Paying Agent who will make payments in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, by wire transfer of same day funds to the designated bank account in such Specified Currency, Specified Principal Payment Currency or Specified Interest Payment Currency, as the case may be, of the DTC participants entitled to receive the relevant payment.

(d) *Delay in Payment*: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Subordinated Note if the due date is not a Relevant Business Day, if the Noteholder is late in surrendering or cannot surrender its Definitive Note (if required to do so) or if a cheque mailed in accordance with Condition 7(b) arrives after the due date for payment.

(e) *Payment Not Made in Full*: If the amount of principal or interest which is due on any Subordinated Note is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid on such Subordinated Note.

(f) *Payments Subject to Law, etc.*: All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 9. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(g) *Appointment of Agents*: The Principal Paying Agent, the Paying Agents, the Registrar, the Calculation Agent, the Replacement Agent and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed in the Agency Agreement. The Issuer reserves the right at any time, with the prior approval of the Trustee, which shall not be unreasonably withheld, to vary or terminate the appointment of any Agent, to appoint another Registrar, Replacement Agent or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, *provided* that the Issuer will at all times maintain (i) a Principal Paying Agent in respect of each Series of Subordinated Notes, (ii) a London Paying Agent, (iii) a Registrar and a Transfer Agent in New York City, (iv) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Exchange on which the Subordinated Notes are listed is the Luxembourg Stock Exchange, shall be Luxembourg, (v) a Paying Agent having a specified office in a member state of the European Union, which member state will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, (vi) a Calculation Agent and (vii) a Replacement Agent. Notice of any such change or any change in the specified office of any Agent will promptly be given to the Noteholders in accordance with Condition 19(a).

(h) *Satisfaction of Obligations*: Every payment of any sum due in respect of Subordinated Notes made to the Principal Paying Agent as provided for herein shall, to such extent, be a good discharge to the Issuer. In the event there is a default by the Principal Paying Agent in any payment to any Paying Agent or by any Paying Agent in any payment on the Subordinated Notes to any Holder in accordance with these Terms and Conditions, the Issuer shall pay such additional amounts as will result in receipt by such Holder of such amount as would have been received by it had no such default occurred.

## **8. Taxation**

All payments by or on behalf of the Issuer in respect of the Subordinated Notes will be made without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, “**Taxes**”) of whatever nature imposed, levied, collected, withheld or assessed by Brazil or any authority therein or thereof having power to tax in the case of Subordinated Notes issued by the Issuer acting through its head office, or by Brazil or the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax in the case of Subordinated Notes issued by the Issuer acting through its Grand Cayman Branch, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Subordinated Note:

(a) where such withholding or deduction is imposed by reason of the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Subordinated Note having some connection with Brazil, the Cayman Islands or any authority in or of Brazil or the Cayman Islands having the power to tax, other than the mere holding of such Subordinated Note; or

(b) where such withholding or deduction could have been lawfully avoided if the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Subordinated Note had complied with a request addressed to such Holder or beneficial owner (or third party) to provide certification, identification or information reporting concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Holder or beneficial owner (or third party); *provided* that the Issuer shall be deemed to have given adequate notice if it complies with the general notice provision provided in Condition 19(a); or

(c) where such withholding or deduction is imposed on a payment to or for the account of an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any amendment thereof or

any other European Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or amendment; or

(d) where such withholding or deduction would have been avoided by presenting the relevant Subordinated Note to another Paying Agent in a member state of the European Union; or

(e) in respect of any Tax which is payable otherwise than by withholding or deduction; or

(f) in respect of any inheritance, gift, estate, personal property, sales or transfer Tax; or

(g) surrendered or presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or beneficial owner (or a third party on behalf of the Holder or beneficial owner) of such Subordinated Note would have been entitled to additional amounts on surrendering or presenting the same for payment on the last day of such period of 30 days.

As used in these Terms and Conditions, “**Relevant Date**” in respect of any Subordinated Note means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 19(a) that such moneys have been so received and are available for payment. References in these Terms and Conditions to “**principal**” shall be deemed to include “**Final Redemption Amount**”, “**Optional Redemption Amount**” and “**Early Redemption Amount**” and any premium payable in respect of the Subordinated Notes and any reference to “**principal**” or “**interest**” shall be deemed to include any additional amounts which may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

## 9. Events of Default

If an Event of Default described in paragraphs (b) and (c) below, as modified by, or such other events as may be specified in, the Final Terms occurs and is continuing, the Trustee if instructed in writing by Holders of at least one third in nominal amount of the Subordinated Notes of such Series then outstanding or if so directed by an Extraordinary Resolution of Noteholders of such Series shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Subordinated Notes of such Series are, and they shall immediately become, due and payable at the Early Redemption Amount specified in the relevant Final Terms or, if none is so specified, at the nominal amount specified in the relevant Final Terms together with accrued interest to the date of redemption of such Subordinated Notes. However, the Issuer will only be required to make payment on acceleration after it has been declared bankrupt, has been dissolved or suspends payment on or fails or is unable to pay all or a material part of (or of a particular type of) its debts generally as they become due, and those payments will be subject to the subordination provisions set forth in Condition 17.

Such acceleration is subject to the condition that any time after the principal of the Subordinated Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Holders of at least two thirds in the nominal amount of the Subordinated Notes of the affected Series then outstanding by written notice to the Issuer and the Trustee may rescind and annul such declaration and its consequences solely with respect to such Subordinated Notes, subject to certain conditions, but no such rescission and annulment shall affect any subsequent default or shall impair any right consequent thereon.

There is no right of acceleration in the case of default in the payment of principal or interest on the Subordinated Notes, as described in Condition 9(a). Notwithstanding the foregoing or any other provision of these Terms and Conditions or the Trust Deed, in the event of the Issuer's failure to pay any principal or interest on the Subordinated Notes when it becomes due and payable, the Noteholders will have the right to institute a suit, including a summary proceeding for the enforcement of such payment.

Any of the following events shall be an “**Event of Default**”:

(a) *Non-Payment*: Subject to Condition 17, the Issuer fails to pay any principal or interest (if any) in respect of any of the Subordinated Notes of such Series on the date when due and, with respect to principal, such failure continues for a period of three days and, with respect to interest, such failure continues for a period of ten days; or

(b) *Dissolution and insolvency*: The Issuer (a) is dissolved other than in connection with a consolidation, merger or reorganization not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Subordinated Notes are assumed by the successor entity, (b) suspends payment on or fails or is unable to pay all or a material part of (or of a particular type of) its debts generally as they become due, (c) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights that is similar to a bankruptcy law or (d) consents to the commencement against it of an involuntary case in bankruptcy or any other action or proceeding, or a proceeding is commenced in an involuntary case in bankruptcy if such proceeding is not dismissed on or before the 60th day after the entry thereof or if any such dismissal or stay ceases to be in effect; or

(c) *Analogous events*: Any event occurs which under the laws of Brazil has an analogous effect to any of the events referred to in paragraph (b).

## 10. Prescription

Claims against the Issuer for payment in respect of the Subordinated Notes shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

## 11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Meetings of Noteholders*: The Trust Deed contains provisions (which shall have the effect as if incorporated herein) for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Subordinated Notes of such Series (including these Terms and Conditions insofar as the same may apply to such Subordinated Notes). Such a meeting may be convened by the Issuer or the Trustee, and the Trustee (subject to being indemnified to its satisfaction against all costs and expenses thereby occasioned) shall convene such a meeting upon written request of Noteholders holding not less than 20% in nominal amount of the Subordinated Notes of the relevant Series for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing in aggregate more than 50% in nominal amount of the Subordinated Notes of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons holding or representing Holders of Subordinated Notes of the relevant Series whatever the nominal amount of the Subordinated Notes of the relevant Series held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Subordinated Notes of any Series or any date for payment of interest thereon, (ii) to reduce or cancel the nominal amount, Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or Instalment Amount (if any) of the Subordinated Notes of any Series, (iii) to reduce the rate or rates of interest in respect of the Subordinated Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest, (iv) if there is specified in the relevant Final Terms of any Series a Minimum Rate of Interest or a Maximum Rate of Interest, to reduce such Minimum Rate of Interest or such Maximum Rate of Interest, (v) to change the currency or currencies of payment of the Subordinated Notes of any Series or (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders of any Series or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Subordinated Notes of the relevant Series for the time being outstanding. An “**Extraordinary Resolution**” is defined in the Trust Deed to mean a resolution passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Trust Deed by a majority of at least 75% of the votes cast. A written resolution of Holders of not less than 75% in nominal amount of the Subordinated Notes of the relevant Series for the time being outstanding shall take effect as an Extraordinary Resolution for all purposes. Any Extraordinary Resolution duly passed shall be binding on all Holders of Subordinated Notes of the relevant Series (whether or not they were present or represented at the meeting at which such resolution was passed).

(b) *Modification, Waiver and Determination*: The Trustee and the Issuer may, without the consent of the Noteholders, agree to any modification of any of the provisions of the Trust Deed, the Final Terms of any Series of Subordinated Notes and the Subordinated Notes of any Series (i) which is of a formal, minor or technical nature or is made to correct a manifest error, (ii) to cure any ambiguity or inconsistency, (iii) to add to the covenants of the Issuer for the benefit of the Noteholders or to surrender any right or power conferred upon the Issuer, (iv) to provide for any assumption by an Successor Corporation under Condition 18 and (v) to make any other modification that does not materially affect the rights of Noteholders under the Subordinated Notes or the Trust Deed. For the



purposes of the foregoing, the Trustee shall be entitled to request and to rely on such Opinions of Counsel and advice as it deems necessary and shall not be responsible to anyone for any loss occasioned by so acting. The Trustee shall (x) agree to any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed, the Final Terms and the Subordinated Notes, in each case, in respect of any Series of Subordinated Notes or (y) determine that any Event of Default or Potential Event of Default in respect of any Series of Subordinated Notes will not be treated as such if, in each case, instructed in writing by Noteholders of at least 25% of the nominal amount of the Subordinated Notes then outstanding of such Series. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders in accordance with Condition 19(a) as soon as practicable.

(c) *Modification by the Issuer:* In relation to a series of Subordinated Notes, the Issuer may (once per Series) and the Trustee shall, if requested by the Issuer acting in compliance with the remainder of this Condition 11(c), without the consent of the Noteholders, modify the terms and conditions of such Subordinated Notes solely to comply with the requirements of the Central Bank in order to qualify such Subordinated Notes as Tier 2 Capital pursuant to Resolution 3,444. The Issuer will not be permitted to make any modifications without Noteholders' consent if such modification would affect in any way the interest rate of such Subordinated Notes, the cumulative nature of any interest payment due on amounts in arrears, the outstanding principal amount of such Subordinated Notes, the ranking of those Subordinated Notes or the original maturity date of such Subordinated Notes. The Trustee shall agree to any modification of the terms and conditions of any Subordinated Notes which two authorized officers or attorneys of the Issuer shall have certified in writing to the Trustee is permitted in accordance with the provisions of this Condition 11(c), *provided* that the Trustee shall not be bound to assent to or to execute any modification to any Subordinated Note which would have the effect of (i) changing, increasing or adding to the obligations or duties of the Trustee or (ii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed or the terms and conditions of the Subordinated Notes. The Trustee may rely absolutely on any such certificate and shall not be bound to make any further enquiries and shall have no liability whatsoever to any Noteholder for so doing.

(d) *Substitution:* The Issuer may, with respect to any Series of Subordinated Notes issued by it (the “**Relevant Notes**”), without the consent of any Holder, substitute for itself any other entity organized in any country in the world as the debtor in respect of the Subordinated Notes and the Trust Deed (the “**Substituted Debtor**”) upon notice by the Issuer and the Substituted Debtor to be given in accordance with Condition 19(a) *provided* that:

(i) the Issuer is not in default in respect of any amount payable under any of the Relevant Notes;

(ii) the Issuer and the Substituted Debtor have entered into such documents (the “**Documents**”) as are necessary to give effect to the substitution and in which the Substituted Debtor has undertaken in favour of each Holder of the Relevant Notes to be bound by these Terms and Conditions and the provisions of the Trust Deed and the Agency Agreement as the debtor in respect of such Relevant Notes in place of the Issuer (or any previous substitute under this Condition 11(d);

(iii) if the Substituted Debtor is resident for tax purposes in a country (the “**New Residence**”) other than Brazil, the Documents contain an undertaking or such other provisions as may be necessary to ensure that each Holder of the Relevant Notes has the benefit of an undertaking in terms corresponding to the provisions of Condition 8 with, where applicable, the substitution of references to Brazil with references to the New Residence;

(iv) unless the Substituted Debtor is the Issuer's successor, (A) the Issuer guarantees the obligations of the Substituted Debtor in relation to outstanding Relevant Notes or (B) the Issuer remains a co-obligor on the Relevant Notes;

(v) the Substituted Debtor and the Issuer have obtained all material governmental approvals and consents required by applicable law for such substitution and for the performance by the Substituted Debtor of its obligations under the Documents and for the performance of the Issuer of its obligations under the guarantee or co-obligation referred to above (if any) as they relate to the obligations of the Substituted Debtor under the Documents;

(vi) each applicable listing authority or Exchange shall have confirmed that, following the proposed substitution of the Substituted Debtor, the Relevant Notes will continue to be admitted to listing and/or trading by the applicable listing authority and Exchange; and

(vii) if applicable, the Substituted Debtor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Relevant Notes.

Upon such substitution, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Relevant Notes and the Trust Deed with the same effect as if the Substituted Debtor had been named as the Issuer therein, and the Issuer shall be released from its obligations under the Relevant Notes and under the Trust Deed, unless the Issuer remains a co-obligor on the Relevant Notes pursuant to paragraph (d)(iv)(B) of this Condition 11.

After a substitution pursuant to this Condition 11(d), the Substituted Debtor may, without the consent of any Holder, effect a further substitution. All the provisions specified above shall apply to effect the further substitution. After a substitution pursuant to the above, any Substituted Debtor may, without the consent of any Holder, reverse the substitution.

(e) *Entitlement of the Trustee:* In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or the Noteholders in respect of Subordinated Notes of any particular Tranche or Series, and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment, whatsoever, and including in respect of any tax consequences of any such exercise upon individual Noteholders.

## **12. Enforcement**

At any time after the Subordinated Notes of any Series become due and payable, the Trustee shall, if instructed in writing by the Holders of at least one-third in nominal amount of the Subordinated Notes of such Series then outstanding or if directed by an Extraordinary Resolution of Noteholders of such Series and on such terms and conditions (if any) as shall be specified in such instructions or direction, institute such Proceedings against the Issuer to enforce the terms of the Trust Deed, the Subordinated Notes, and the Coupons, *provided* that the Trustee shall have been indemnified to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## **13. Indemnification of the Trustee and Amendments to Resolution 3,444**

### *(a) Indemnification of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee for its relief from responsibility and for the limitation of its duties and powers thereunder. The Trustee and its parent, subsidiaries and affiliates are entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

### *(b) Amendments to Resolution 3,444*

The Issuer shall notify the Trustee promptly in writing if the *Conselho Monetário Nacional* (National Monetary Council of Brazil) or the Central Bank (i) effects and publishes in the *Diário Oficial* (Official Gazette) any amendment to Resolution 3,444; or (ii) publishes any notice on the website of the Central Bank setting out a proposed change to Resolution 3,444. Upon receipt of a written notice from the Issuer of a proposed change or an actual change to Resolution 3,444 in accordance with the foregoing, neither the Trustee nor any Paying Agent shall be required to take any action or to refrain from taking any action that may cause it to incur, in its sole discretion, any loss, liability, damage or expense, *provided* that under no circumstances shall this provision affect a Paying Agent's obligation to make payments to Noteholders of interest or principal that are due and payable if such payments have been made by the Issuer to a Paying Agent. To the extent that the consent or authorization of the Central Bank or any other Brazilian Governmental Authority is required for the Issuer's, the Trustee's or an Agent's performance under the Subordinated Notes, the Trust Deed or the Agency Agreement, neither the Trustee nor any Agent shall have any duty or obligation to determine whether such approval, consent or authorization is required or have any duty or obligation to obtain such consent. The Issuer shall notify the Trustee and the Agents, as applicable, in writing, if the approval, consent or authorization of the Central Bank or such other Brazilian Governmental Authority, as applicable, is required for the Issuer's or the Trustee's performance under the Subordinated Notes, the Trust Deed or the Agency Agreement and whether or not such consent has been obtained by the Issuer.

#### 14. Replacement of Definitive Notes

If any Definitive Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Transfer Agent (in such capacity, the “**Replacement Agent**”) subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Replacement Agent may require (*provided* that the requirement, in the case of the Issuer only, is reasonable in the light of prevailing market practice). Any replacement Definitive Note will bear a notation stating the serial number of the Definitive Note which it replaces or is deemed to replace and, in the case of an Instalment Note, a record of the amount and date of each payment made prior to the date of the replacement in respect of the Instalment Note to be replaced (as evidenced by the notations on the schedule of payments endorsed on the Instalment Note to be replaced or, if such Instalment Note, has been lost, stolen or destroyed, the payment records of the Registrar will be noted by or on behalf of the Registrar issuing such replacement Instalment Note on the schedule of payments endorsed thereon. Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

#### 15. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further securities having the same terms and conditions as the Subordinated Notes of any Series in all respects (or in all respects except for the Issue Date, the date on which interest commences to accrue and related matters) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Subordinated Notes of any Series). References in these Terms and Conditions to the Subordinated Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Subordinated Notes of such Series. Any further securities forming a single series with the outstanding securities of any series (including the Subordinated Notes of any Series) shall be constituted under the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the Holders of securities of other series (including the Subordinated Notes of any other Series) where the Trustee so decides.

#### 16. Agents

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation, liability or relationship of agency or trust for or with any Holder.

#### 17. Terms of Subordination

##### (a) Form, Subscription in Cash and Maturity

(i) *Form*: Subordinated Notes will be issued as registered notes.

(ii) *Subscription and payment in cash*: Subordinated Notes may be issued in one or more Series or Tranches, consideration for which shall be paid to the Issuer in cash at the date of issue thereof.

(iii) *Maturity*: The Subordinated Notes shall not, without the prior approval of the Central Bank, have a maturity date, be redeemed, or amortized prior to five (5) years from their issuance date.

##### (b) Status; Subordination Provisions

(i) *Status*: Subordinated Notes constitute unsecured and subordinated obligations of the Issuer.

(ii) *Subordination*: Subordinated Notes are subordinated in right of payment to all existing and future Senior Liabilities of the Issuer in accordance with this Condition 17(b).

Subject to applicable law, (A) the rights and claims of Noteholders are and will be subordinated and accordingly subject in right of payment to prior payment in full of all principal, premium, if any, interest and any other amounts due or to become due on all Senior Liabilities upon the Issuer’s winding-up, bankruptcy, liquidation, moratorium of payments, insolvency or similar proceedings (each a “**Bankruptcy Event**”), and (B)(i) Subordinated Notes shall rank *pari passu* with respect to each other without any preference among themselves, (ii) the rights and claims of Noteholders under the Subordinated Notes shall rank *pari passu* with the rights and claims of holders of the Parity Liabilities and (iii) to the extent permitted by applicable law, the Subordinated Notes shall rank senior to the Issuer’s Second Priority

Liabilities; *provided* that the consolidation of the Issuer with, or the merger of the Issuer into any other corporation or the liquidation or dissolution of the Issuer following the conveyance or transfer (including in connection with a *cisão*) of its properties, assets and liabilities substantially as an entirety to another corporation in accordance with Condition 18 shall not be deemed a Bankruptcy Event for the purposes of this Condition 17 if the Central Bank has approved such consolidation, merger, transfer or conveyance. Thereafter, the Issuer shall be automatically released and discharged from all obligations and covenants under the Trust Deed and the Subordinated Notes, and the Subordinated Notes will continue to be outstanding and will be treated as subordinated debt of such Successor Corporation pursuant to the terms of Resolution 3,444.

(c) Deferral of Interest and Principal

(i) Any payment (of principal, interest or any other amount) on the Subordinated Notes on any Interest Payment Date, the Maturity Date or any other date, as applicable, shall not be due at that time and the Issuer will defer that payment of interest or principal or any other amount relating thereto in full if the Issuer determines that it is, or if such payment would result in it being, in noncompliance with then applicable capital adequacy requirements or operational limits as set out in Resolution 3,444 or Resolution 2,099 or its financial ratios fall below the minimum levels required by regulations applicable to the Issuer either existing at the date of the Subordination Nucleus as specified in the relevant Final Terms or subsequently promulgated or enacted by the Brazilian banking or monetary authorities or any other applicable Brazilian Governmental Authority (the “**Risk-Based Capital Requirements**”).

(ii) Upon the occurrence of sub-paragraph (i) above, the Issuer will defer payments of interest or principal or any other amount in full until the date no later than the number of days specified in the relevant Final Terms after the date it is no longer in violation of the Risk-Based Capital Requirements and the payment of that interest or principal amount or other amount, or any portion thereof, would no longer cause the Issuer to violate the Risk-Based Capital Requirements.

(iii) The deferral of any payment in accordance with this Condition 17(c) will not constitute an Event of Default under the Subordinated Notes.

(iv) Deferred interest amounts will be determined on each Interest Payment Date only for the purpose of calculating the interest accruing thereafter on amounts in arrears. Such amounts in arrears will bear interest at the Rate of Interest for such Subordinated Notes plus the Arrears Rate as specified in the relevant Final Terms. The Issuer will use reasonable efforts to give not more than the maximum number of Relevant Business Days’ notice specified in the relevant Final Terms and not less than the minimum number of Relevant Business Days’ notice specified in the relevant Final Terms to the Noteholders of any interest or principal payment that will be deferred and of any date on which any amount in arrears or any additional interest on such amount will be payable. If amounts in arrears are at any time only partially payable:

(A) all amounts in arrears will be payable before additional interest on those amounts;

(B) all amounts in arrears will be payable in the order of the Interest Periods for which they accrued, and the payment of additional interest on those amounts will follow the same order; and

(C) all amounts in arrears or additional interest on those amounts, as the case may be, for any Interest Period will be paid *pro rata* to the Noteholders.

(d) Redemption, Repurchase and Guaranty or Insurance

(i) *Repurchases*: Subject to the prior approval of the Central Bank (in accordance with art. 9, VI and §3, of Resolution 3,444) or any other applicable Brazilian Governmental Authority, if then required, the Issuer or any Affiliate may at any time repurchase some or all of a Series of Subordinated Notes in the open market or otherwise in any manner and at any price, *provided* that the Issuer is in compliance with the Risk-Based Capital Requirements and that such repurchase would not cause the Issuer to fail to be in compliance with such Risk-Based Capital Requirements. Subordinated Notes so repurchased, while held by or on behalf of the Issuer or any of its Affiliates, shall not entitle the Noteholder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 11 or 12. Subordinated Notes so purchased or acquired by the Issuer or any Affiliate in the ordinary course of its business as a dealer in securities may be reissued or resold and Subordinated Notes

so reissued or resold shall, for all purposes, be deemed to form part of the original Series of Subordinated Notes in which they were issued.

(ii) *Optional Redemption for Taxation Reasons*: Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of any Series of Subordinated Notes at its option in whole, but not in part, at any time, on giving not less than 30 days nor more than 45 days notice to the Noteholders in accordance with Condition 19(a) (which notice shall be irrevocable), at their Early Redemption Amount or, if none is so specified, at the nominal amount specified in the relevant Final Terms (in each case together with interest accrued to, but excluding, the date fixed for redemption) if (i) there is more than an insubstantial risk that the Issuer has or will become obligated to pay additional amounts (such additional amounts to be determined in accordance with Condition 8) in excess of the additional amounts which would be payable in respect of deductions or withholdings made at the rate of the Original Withholding Level, if any, specified in the relevant Final Terms as a result of any change in, or amendment to, the laws or regulations of Brazil or the Cayman Islands, or any political subdivision or authority in or of Brazil or the Cayman Islands having the power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment is adopted or enacted or becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking ministerial measures available to it, *provided* that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Final Terms) prior to the earliest date on which the Issuer would be obligated to pay such additional amounts were a payment in respect of such Subordinated Notes then due (or in the case of Subordinated Notes which bear interest at the Floating Rate, a number of days which is equal to the aggregate number of days falling within the current Interest Period applicable to the Subordinated Notes plus 75 days). Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this Condition 17(d)(ii) subject as otherwise specified in the relevant Final Terms, the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking ministerial measures available to it and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, which shall be conclusive and binding on the Noteholders.

(iii) *Optional Redemption due to a Regulatory Event*: Subject to the prior approval of the Central Bank or any other applicable Brazilian Governmental Authority for such redemption (if such approval is then required), the Issuer may redeem or procure the purchase of any Series of Subordinated Notes, in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 19(a) (which notice shall be irrevocable), at their Early Redemption Amount (together with interest accrued to, but excluding, the date fixed for redemption) if the Issuer certifies to the Trustee immediately prior to the giving of such notice that a Regulatory Event has occurred, *provided, however*, that no such notice of redemption or purchase in lieu of redemption shall be given earlier than 90 days (or such other period as specified in the relevant Final Terms) prior to the earliest date on which the Regulatory Event is or is reasonably expected to be effective. Prior to the publication of any notice of redemption or purchase in lieu of redemption pursuant to this Condition 17(d)(iii), the Issuer shall deliver to the Trustee a certificate signed by two authorised officers or attorneys of the Issuer stating that the Issuer is entitled to effect such a redemption or to cause such purchase in lieu of redemption pursuant to this Condition 17(d)(iii), and setting forth in reasonable detail a statement of the facts giving rise to such right of redemption. Concurrently, the Issuer will deliver to the Trustee a written Opinion of Counsel stating, among other things, that a Regulatory Event has occurred and that all governmental approvals necessary for the Issuer to effect such redemption or purchase in lieu of redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

(iv) *Redemption of Subordinated Notes at the Option of the Issuer (Call Option)*: If so provided in the relevant Final Terms, the Issuer may, after the fifth anniversary of such Subordinated Notes and subject to the prior approval of the Central Bank, on giving to the Holder of such Subordinated Note irrevocable notice in accordance with Condition 19(a) of not less than 30 nor more than 45 days (or such other notice period as specified in the relevant Final Terms) redeem or procure the purchase of all or, if so specified in the relevant Final Terms, some of the Series of Subordinated Notes of which such Subordinated Note forms part, on the Optional Redemption Date(s) specified in the relevant Final Terms (which shall, in the case of Subordinated

Notes which at the time of redemption or purchase have an interest basis which is specified in the relevant Final Terms as Floating Rate, be a Specified Interest Payment Date) at the amount specified in the relevant Final Terms as the Optional Redemption Amount less, in the case of any Instalment Note, the aggregate amount of instalments that shall become due and payable under any Condition (which amount, if to the extent not then paid, remains due and payable) together with interest accrued to, but excluding, the date fixed for redemption or purchase. All Subordinated Notes in respect of which any such notice is given shall be redeemed or purchased on the Optional Redemption Date(s) specified in such notice in accordance with this Condition 17(d)(iv). If only some of the Subordinated Notes of a Series are to be redeemed or purchased at any time, the Subordinated Notes to be redeemed or purchased shall be redeemed or purchased *pro rata* to their principal amounts, *provided* always that the amount redeemed or purchased in respect of each Subordinated Note shall be equal to the Specified Denomination, and in each case subject to compliance with the applicable rules of each clearing system, listing authority and Exchange and the notice to Noteholders referred to herein shall specify the serial numbers and nominal amounts of the Subordinated Notes to be so redeemed or purchased. In case of the redemption or purchase of part only of a Subordinated Note, a new Subordinated Note in respect of the remaining balance shall be issued in accordance with Condition 3.

(v) *No Redemption at the Option of the Noteholders*: Subordinated Notes may not be redeemed at the option of the Noteholders.

(vi) *No Guarantee or Insurance*: Subordinated Notes are unsecured and subordinated obligations of the Issuer and do not benefit from any guarantee or insurance issued pursuant to any insurance policy or similar structure that compromises the subordination of the Subordinated Notes and/or requires or allows payments or transfers of funds to the Noteholders, directly or indirectly, by the Issuer or any Affiliate.

(vii) *Conflict of Provisions and Amendments*

(A) *Conflicts*: In the event of conflict between the provisions of this Condition 17 and any other provision set forth in any Transaction Document with respect to any Series of Subordinated Notes, the provisions of this Condition 17, as amended by the Subordination Nucleus, shall prevail, as per art. 7, II, of Resolution 3,444 and any such conflicting provision shall be null and void.

(B) *Amendments*: In accordance with art. 7, III and paragraph two, of Resolution 3,444, the execution of any amendment, change or revocation of any provision of this Condition 17 is subject to the prior consent of the Central Bank, if required pursuant to applicable regulations then in effect.

## 18. Consolidation, Merger or Sales of Assets

The Issuer may, without the consent of the Holders of any Series of Subordinated Notes, consolidate with or merge into any other corporation or convey or transfer (including in connection with a *cisão*), in one transaction or a series of transactions, all or substantially all of its properties or assets to any other person, *provided* that:

(a) the corporation formed by such consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer (including in connection with a *cisão*) all or substantially all of the properties and assets of the Issuer (the “**Successor Corporation**”) shall be obliged to assume the due and punctual payment of the principal of and interest on all the Subordinated Notes and all other obligations of the Issuer under the Trust Deed, the Agency Agreement and the Subordinated Notes;

(b) immediately after giving effect to such transaction, no Event of Default with respect to any Subordinated Note shall have occurred and be continuing; and

(c) after any public announcement of, but in any event prior to the completion of any such consolidation, merger, conveyance or transfer, the Issuer has delivered to the Trustee (i) a certificate signed by two authorised officers of the Issuer stating that such consolidation, merger, conveyance or transfer complies with this Condition 18 and that all conditions precedent herein provided for relating to such transaction (other than the condition precedent set out in (b) above) have been complied with and (ii) an opinion of independent counsel of recognised standing to the effect that the Successor Corporation has validly assumed the obligations to be assumed by it pursuant to clause (a) above and that the Trust Deed, the Agency Agreement and the Subordinated Notes constitute legal, valid and binding obligations of the Successor Corporation, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganisation or other laws of general applicability relating to or affecting the enforcement of creditor’s

rights and to general principles of equity; *provided* that in giving such Opinion of Counsel may rely on a certificate signed by an authorised officer of the Issuer.

No Successor Corporation shall have the right to redeem the Subordinated Notes unless the Issuer would have been entitled to redeem the Subordinated Notes in similar circumstances.

Upon the consolidation, merger, conveyance or transfer (including in connection with a *cisão*) in accordance with this Condition 18, the Successor Corporation shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Subordinated Notes with the same effect as if the Successor Corporation had been named as the issuer of the Subordinated Notes herein and the Issuer will automatically be released and discharged from all obligations and covenants under the Trust Deed, the Agency Agreement and the Subordinated Notes.

## 19. Notices and Provision of Information

(a) *Notices.* Notices to Holders of Subordinated Notes will be mailed to them at their respective addresses in the Register (or in the case of joint Holders, to the address of the first-named in the Register) and shall be published (so long as the Subordinated Notes are listed on the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange designated for such purposes pursuant to the rules of the Luxembourg Stock Exchange or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxembourg Wort*). Any such notice shall be deemed to have been given on the later of the date of such publication and the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

(b) *Provision of Information.* For so long as any of its Subordinated Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act the Issuer undertakes that it will, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish on request to any Holder of such restricted securities, or to any prospective purchaser thereof, such information as is required to be provided pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with the resale of such restricted securities.

## 20. Covenant Defeasance

(a) The Issuer may at its option, at any time, elect to have terminated the obligations of the Issuer with respect to outstanding Subordinated Notes of a Series as set forth in this Condition 20 and elect to have Condition 20(b) be applied to all of the outstanding Subordinated Notes of such Series (the “**Defeased Notes**”), upon compliance with the conditions set forth below in Condition 20(c). Condition 20(b) may be applied to the Defeased Notes to the Maturity Date or relevant Optional Redemption Date.

(b) Upon the Issuer’s exercise of the option under Condition 20(a), the provisions of Condition 18 shall not apply with respect to the Defeased Notes on and after the date the conditions set forth below are satisfied (hereinafter, “**Covenant Defeasance**”), and the Subordinated Notes shall thereafter be deemed not to be outstanding for the purposes of any direction, waiver, consent or declaration or act of Noteholders (and the consequences of any thereof) in connection with such covenants or provisions, but shall continue to be deemed outstanding for all other purposes hereunder. For this purpose, such Covenant Defeasance means that, with respect to the Defeased Notes, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant or provision, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or provision or by reason of any reference in any such covenant or provision to any other provision herein or in any other document and such omission to comply shall not constitute a Potential Event of Default or an Event of Default, but, except as specified above, the remainder of these Terms and Conditions and the Trust Deed shall be unaffected thereby.

(c) The following shall be the conditions to application of Condition 20(b) to the outstanding Subordinated Notes:

(i) The Issuer shall have irrevocably deposited or caused to be deposited with the Trustee, in trust, money or Government Obligations, or a combination thereof, in amounts as will be sufficient (without reinvestment), to pay and discharge the principal of, and premium, if any, and interest, if any, on the Defeased Notes to the Maturity Date or relevant Optional Redemption Date in accordance with these Terms and Conditions and the Trust Deed;

(ii) No Event of Default specified in Condition 9(a) shall have occurred and be continuing on the date of such deposit;

(iii) Such deposit shall not result in a breach or violation of, or constitute an Event of Default under, these Terms and Conditions or the Trust Deed;

(iv) The Issuer either: (i) shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of the Defeased Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred or (ii) shall indemnify each beneficial owner of a Defeased Note against any additional U.S. federal income tax thereafter imposed on such beneficial owner (net of any U.S. federal income tax savings) as a consequence of such Covenant Defeasance; and

(v) The Issuer shall have delivered to the Trustee a certificate signed by two authorised officers and an Opinion of Counsel, each to the effect that all conditions precedent provided for in this Condition 20(c) relating to the Covenant Defeasance have been complied with. In rendering such Opinion of Counsel, counsel may rely on a certificate signed by two authorised officers as to compliance with the foregoing paragraphs (i), (ii) and (iii) of this Condition 20(c) or as to any matters of fact.

(d) Subject to the provisions of Condition 20(f), all money and Government Obligations (including the proceeds thereof) deposited with the Trustee (or such other person that would qualify to act as successor trustee under the Agency Agreement, collectively and solely for purposes of this Condition 20(d), the “Trustee”) pursuant to Condition 20(c)(i) in respect of the Defeased Notes shall be held in trust and applied by the Trustee in accordance with the provisions of such Subordinated Notes and these Terms and Conditions and the Trust Deed to the payment, either directly or through any Paying Agent as the Trustee may determine, to the Noteholders of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except as requested by the Issuer or, to the extent required by law.

The Issuer shall pay and indemnify the Trustee and its agents and hold them harmless against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to Condition 20(c)(i), or the principal, premium, if any, and interest, if any, received in respect thereof, other than any such tax, fee or other charge that by law is for the account of the Holders of the Defeased Notes.

Anything in this Condition 20 to the contrary notwithstanding, the Trustee shall deliver to the Issuer any money or Government Obligations held by it as provided in Condition 20(c)(i) in respect of which:

i. it receives an Issuer Request; and

ii. after consultation with a nationally recognized accounting or investment banking firm, it is informed in a written certification from such firm that such money or Government Obligations are in excess of the amount that would then be required to be deposited to effect an equivalent Covenant Defeasance,

*provided* that, no liability, whatsoever, shall attach to the Trustee and it shall be fully protected and have no liability in relying on such written certification.

(e) If the Trustee or Paying Agent is unable to apply any money or Government Obligations in accordance with Condition 20(b), as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the obligations of the Issuer under these Terms and Conditions and the Trust Deed shall be revived and reinstated as though no deposit had occurred pursuant to Condition 20(b), until such time as the Trustee or Paying Agent is permitted to apply all such money and Government Obligations in accordance with Condition 20(b); *provided, however*, that if the Issuer makes any payment of principal, premium, if any, or interest, if any, on any Subordinated Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Subordinated Notes to receive such payment from the money and Government Obligations held by the Trustee or Paying Agent.

(f) The Trustee shall pay to the Issuer upon Issuer Request any money held by it for the payment of principal, premium, if any, or interest, if any, that remains unclaimed for two years after the Maturity Date or the relevant Optional Redemption Date, as the case may be. After payment to the Issuer, Noteholders entitled to money must look to the Issuer for payment as unsecured general creditors unless an applicable abandoned property law



designates another person. No liability whatsoever shall be owed by the Trustee or Paying Agent to the Issuer or the Noteholders with respect to such money, absent gross negligence or willful misconduct.

## 21. Redenomination, Renominalisation and Reconventioning

(a) This Condition 21 is applicable to the Subordinated Notes only if it is specified in the relevant Final Terms as being applicable.

(b) If the country of the Specified Currency becomes or, announces its intention to become a member state of the European Community adopting the Euro as its lawful currency in accordance with the Treaty (a “**Participating Member State**”), the Issuer may, without the consent of the Holders of Subordinated Notes, on giving at least 30 days’ prior notice to the Holders of Subordinated Notes and the Paying Agents, designate a date for redenomination (the “**Redenomination Date**”), being an Interest Payment Date under the Subordinated Notes falling on or after the date on which such country becomes a Participating Member State.

(c) Notwithstanding the other provisions of these Terms and Conditions, with effect from the Redenomination Date:

(i) the Subordinated Notes shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Subordinated Note equal to the principal amount of that Subordinated Note in the Specified Currency, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however*, that, if the Issuer determines, with the agreement of the Registrar then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Holders of Subordinated Notes, each stock exchange (if any) on which the Subordinated Notes are then listed and the Paying Agents of such deemed amendments;

(ii) if Subordinated Notes have been issued in definitive form:

(x) the payment obligations contained in all Subordinated Notes denominated in the Specified Currency will become void on the date (the “**Euro Exchange Date**”) on which the Issuer gives notice (the “**Euro Exchange Notice**”) to the Holders of Subordinated Notes that replacement Subordinated Notes denominated in Euro are available for exchange (*provided* that such Subordinated Notes are available) and no payments will be made in respect thereof, but all other obligations of the Issuer thereunder (including the obligation to exchange such Subordinated Notes in accordance with this Condition 21) shall remain in full force and effect; and

(y) new Subordinated Notes denominated in Euro will be issued in exchange for Subordinated Notes denominated in the Specified Currency in such manner as the Registrar, may specify and as shall be notified to the Holders of Subordinated Notes in the Euro Exchange Notice; and

(iii) all payments in respect of the Subordinated Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by cheque drawn on, or by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Community.

(d) Following redenomination of the Subordinated Notes pursuant to this Condition 21, where Subordinated Notes have been issued in definitive form, the amount of interest due in respect of the Subordinated Notes will be calculated by reference to the aggregate principal amount of the Subordinated Notes presented for payment by the relevant Holder.

(e) If the Floating Rate Notes provisions for Floating Rate Notes specified in Condition 5(II) are specified in the relevant Final Terms as being applicable and the Primary Source for the Floating Rate is as specified in Condition 5(II)(b)(i)(A) as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second Relevant Business Day before the first day of the relevant Interest Period.

## **22. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Subordinated Notes under the Contracts (Rights of Third Parties) Act 1999.

## **23. Governing Law and Jurisdiction**

(a) *Governing Law*: The Trust Deed, the Subordinated Notes, the Final Terms (including the summary of the Final Terms set out in section 5 of the Subordination Nucleus) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, *provided* that the provisions contained in Condition 17, as amended by the Subordination Nucleus, imposed on the Issuer in order for the Subordinated Notes to qualify as Tier 2 Capital under Resolution 3,444, shall be governed by, and construed in accordance with, the laws of Brazil.

(b) *Jurisdiction*: The courts of England have jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Notes or the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Subordinated Notes or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Subordinated Notes or the Trust Deed (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the English courts.

(c) *Agent for Service of Process*: The Issuer has in the Trust Deed appointed an agent in England to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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