



FINANCIAL STATEMENTS  
**DECEMBER 2008**

## **MANAGEMENT REPORT**

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We present the financial statements of Banco Itaú BBA S.A. ("Itaú BBA") for the year 2008. As of December 31 2008, assets totaled R\$ 130.3 billion, net equity was R\$ 5.9 billion and net profits for the year were R\$ 411 million.

The bank has a strong presence in capital markets, providing large companies with funding alternatives in both fixed income and equity markets.

In 2008, Itaú BBA participated in debenture and promissory note transactions totaling R\$ 15.1 billion, plus R\$ 2.0 billion in securitization transactions. In the Anbid (National Association of Investment Banks) ranking, which covers transactions up to December, Itaú BBA ranked first in origination and distribution of fixed-income and securitization transactions with market shares of 46% and 42% respectively.

In capital markets, Itaú BBA was the coordinator and bookrunner of initial public offerings and subsequent public offerings that amounted to R\$ 31.8 billion. Itaú BBA came up first in Thompson's and Anbid (National Association of Investment Banks) rankings, with a market share of 25%.

In July, 2008 Itaú BBA received the award for the Brazil category of the "World's Best Investment Banks 2008" from Global Finance, an American publication specialized in financial institutions all over the world.

Credit portfolio presented a growth of 64% including guarantees, when compared with the previous year. Noteworthy was the excellent credit quality at the end of 2009, where 96% of loans were assigned "AA", "A", and "B" risk ratings according to the criteria of Brazilian Central Bank Resolution 2.682.

The financial statements herein presented are in line with Central Bank regulatory requirements on the marking to market of securities and derivative instruments. Bonds classified as "held to maturity" reflect the intent of the institution and its financial capacity to maintain them until maturity.

We wish to thank our shareholders, clients and the financial community for their indispensable support and trust, as well as our employees who have made the bank's performance possible.

**(Approved by the Board of Directors of Itaú BBA)**

**BALANCE SHEETS AT DECEMBER 31**

In thousands of reais

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and banks.....	232,680	225,801
Interbank investments (Notes 3b and 5)		
Investments in the open market .....	3,309,507	1,169,816
Interbank deposits .....	21,564,674	24,981,023
	24,874,181	26,150,839
Securities and derivative financial instruments (Notes 3c, 3d, 6 and 7)		
Own portfolio .....	7,335,757	7,333,546
Subject to repurchase agreements .....	2,110,257	541,082
Deposits with the Brazilian Central Bank .....	20,081	-
Securities given in guarantee .....	4,049,219	2,519,494
Derivative financial instruments .....	6,117,288	1,851,265
	19,632,602	12,245,387
Interbank accounts		
Deposits with the Brazilian Central Bank .....	999	2,458
Interbank onlendings .....	6,876	28,792
Correspondents .....	14,563	34,652
	22,438	65,902
Loan and other credit operations (Note 8)		
Loan and other credit operations (Note 3e) .....	24,595,499	14,968,921
Allowance for loan losses (Note 3g) .....	(192,444)	(85,355)
	24,403,055	14,883,566
Lease operations (Notes 3f, 3g and 8f)		
Lease receivables .....	259,514	-
Unearned income from leases .....	(235,979)	-
Allowance for loan losses .....	(6,139)	-
	17,396	-
Other receivables		
Foreign exchange portfolio (Note 9) .....	11,066,096	8,078,791
Income receivable .....	69,937	43,196
Negotiation and intermediation of securities (Note 10) .....	715,198	386,887
Sundry receivables (Note 18a) .....	598,160	139,320
	12,449,391	8,648,194
Other assets		
Other assets .....	14,613	15,265
Prepaid expenses .....	37,779	3,738
	52,392	19,003
<b>TOTAL CURRENT ASSETS</b> .....	<b>81,684,135</b>	<b>62,238,692</b>
<b>LONG-TERM RECEIVABLES</b>		
Interbank investments (Notes 3b and 5)		
Investments in the open market .....	13,637,750	12,709,651
Interbank deposits .....	10,481,707	11,046,627
	24,119,457	23,756,278
Securities and derivative financial instruments (Notes 3c, 3d, 6 and 7)		
Own portfolio .....	3,696,975	861,828
Subject to repurchase agreements .....	1,093,847	879,136
Securities given in guarantee .....	642,269	750,076
Derivative financial instruments .....	1,367,803	618,310
	6,800,894	3,109,350
Loan and other credit operations (Note 8)		
Loan and other credit operations (Note 3e) .....	13,432,357	7,532,120
Allowance for loan losses (Note 3g) .....	(1,694,617)	(186,748)
	11,737,740	7,345,372
Lease operations (Notes 3f, 3g and 8f)		
Lease receivables .....	3,003,300	-
Unearned income from leases .....	(2,955,258)	-
Allowance for loan losses .....	(20,238)	-
	27,804	-
Other receivables		
Foreign exchange portfolio (Note 9) .....	993,529	1,433,221
Income receivable .....	2,621	135
Sundry receivables (Note 18a) .....	1,866,552	647,526
	2,862,702	2,080,882
Other assets - prepaid expenses .....	44,356	4,268
<b>TOTAL LONG-TERM RECEIVABLES</b> .....	<b>45,592,953</b>	<b>36,296,150</b>
<b>PERMANENT ASSETS</b>		
Investments (Notes 3h and 11a)		
Investments in subsidiaries		
Domestic .....	128,573	104,738
Abroad .....	2,465	1,817
	131,038	106,555
Other investments .....	8,349	9,621
Provision for loss .....	(3,153)	(361)
	136,234	115,815
Fixed assets (Notes 3i and 11b)		
Properties for own use .....	13,064	12,312
Other fixed assets .....	73,227	55,034
Accumulated depreciation .....	(46,380)	(39,604)
	39,911	27,742
Leased assets (Notes 3j and 8f)		
Leased assets .....	2,319,344	-
Accumulated depreciation .....	58,148	-
	2,377,492	-
Intangible assets (Notes 3k and 11c)		
Other intangible assets .....	760,905	760,905
Accumulated amortization .....	(307,632)	(171,650)
	453,273	589,255
<b>TOTAL PERMANENT ASSETS</b> .....	<b>3,006,910</b>	<b>732,812</b>
<b>TOTAL ASSETS</b> .....	<b>130,283,998</b>	<b>99,267,654</b>

**BALANCE SHEETS AT DECEMBER 31**

In thousands of reais

	<b>2008</b>	<b>2007</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Deposits (Note 3b)		
Demand deposits.....	932,444	320,798
Interbank deposits.....	18,410,271	24,508,195
Time deposits.....	15,621,543	3,306,315
Other deposits.....	13,091	424
	<u>34,977,349</u>	<u>28,135,732</u>
Securities sold under repurchase agreements (Note 3b)		
Own portfolio.....	1,528,116	1,119,636
Third party portfolio.....	5,372,621	6,128,980
	<u>6,900,737</u>	<u>7,248,616</u>
Funds from acceptances and issue of securities (Note 3b)		
Real estate notes, mortgages, of credits and similars.....	1,410,419	113,041
Debentures.....	-	136,969
Issue of securities abroad.....	1,098,555	316,313
	<u>2,508,974</u>	<u>566,323</u>
Interdepartmental accounts - third party funds in transit.....	710,025	539,767
Borrowings and onlendings (Note 3b)		
Domestic borrowings - other institutions.....	1,533	1,508
Foreign borrowings.....	9,012,408	5,880,697
Interbank onlendings.....	14,010	224
Domestic onlendings - official institutions - National Bank for Economic and Social Development (BNDES).....	475,005	373,777
Domestic onlendings - official institutions - Government Agency for Machinery and Equipment (FINAME).....	533,178	566,685
Domestic onlendings - official institutions - Others.....	146,440	40,216
	<u>10,182,574</u>	<u>6,863,107</u>
Derivative financial instruments (Notes 3d and 7).....	6,438,939	1,727,127
Other liabilities		
Collection and payment of taxes.....	15,747	3,581
Foreign exchange portfolio (Note 9).....	10,186,895	8,161,596
Social and statutory.....	295,545	269,651
Taxes and social security contributions (Note 18c).....	149,232	229,139
Negotiation and intermediation of securities (Note 10).....	642,900	141,039
Sundry liabilities (Note 18b).....	166,422	159,743
	<u>11,456,741</u>	<u>8,964,749</u>
<b>TOTAL CURRENT LIABILITIES</b> .....	<b>73,175,339</b>	<b>54,045,421</b>
<b>LONG-TERM LIABILITIES</b>		
Deposits (Notes 3b and 15)		
Interbank deposits.....	30,552,703	25,772,144
Time deposits.....	6,484,179	1,231,410
	<u>37,036,882</u>	<u>27,003,554</u>
Securities sold under repurchase agreements (Notes 3b and 15)		
Own portfolio.....	2,184,189	278,124
Third party portfolio.....	1,547,201	4,438,105
	<u>3,731,390</u>	<u>4,716,229</u>
Funds from acceptances and issue of securities (Notes 3b and 15)		
Real estate notes, mortgages, of credits and similars.....	16,725	-
Debentures.....	-	104,902
Issue of securities abroad.....	695,496	683,454
	<u>712,221</u>	<u>788,356</u>
Borrowings and onlendings (Notes 3b and 15)		
Foreign borrowings.....	1,641,744	1,194,693
Interbank onlendings.....	9,324	36,421
Domestic onlendings - official institutions - BNDES.....	2,810,368	1,849,349
Domestic onlendings - official institutions - FINAME.....	763,586	513,705
Domestic onlendings - official institutions - Others.....	110,337	84,512
	<u>5,335,359</u>	<u>3,678,680</u>
Derivative financial instruments (Notes 3d and 7).....	1,811,887	1,035,690
Other liabilities		
Foreign exchange portfolio (Note 9).....	947,645	1,422,180
Social and statutory.....	10,648	-
Taxes and social security contributions (Note 18c).....	895,305	663,138
Creditors for advance of residual values (Notes 3f and 8f).....	719,180	-
	<u>2,572,778</u>	<u>2,085,318</u>
<b>TOTAL LONG-TERM LIABILITIES</b> .....	<b>51,200,517</b>	<b>39,307,827</b>
<b>DEFERRED INCOME (Note 3o)</b> .....	<b>44,161</b>	<b>28,860</b>
<b>STOCKHOLDERS' EQUITY (Note 16)</b>		
Capital - Domestic.....	4,223,086	4,223,086
Capital reserves.....	15,372	15,256
Revenue reserves.....	1,439,548	1,443,050
Asset valuation adjustment (Notes 3c, 3d and 6).....	(17,288)	891
Retained earnings.....	203,263	203,263
	<u>5,863,981</u>	<u>5,885,546</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b> .....	<b>5,863,981</b>	<b>5,885,546</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> .....	<b>130,283,998</b>	<b>99,267,654</b>

**STATEMENT OF INCOME (Note 3p)**

In thousands of reais, except net income per share

	<b>2<sup>nd</sup> six-month period of 2008</b>	<b>Years ended December 31</b>	
		<b>2008</b>	<b>2007</b>
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>			
Loan and other credit operations .....	5,017,688	5,422,822	649,168
Lease operations .....	378,891	405,935	-
Securities .....	6,131,982	9,123,431	4,762,528
Derivative financial instruments (Note 7e) .....	(1,718,449)	(899,791)	48,233
Foreign exchange, net (Note 2) .....	245,753	404,981	145,741
Compulsory deposits .....	7,670	7,680	137
	<b>10,063,535</b>	<b>14,465,058</b>	<b>5,605,807</b>
<b>EXPENSES ON FINANCIAL INTERMEDIATION</b>			
Funds obtained in the market .....	(6,880,932)	(10,014,617)	(4,348,042)
Borrowings, credit assignments and onlendings .....	(2,776,155)	(2,673,222)	317,456
Lease operations .....	(268,274)	(290,320)	-
Allowance for loan losses (Note 8g) .....	(1,644,317)	(1,701,786)	(31,006)
	<b>(11,569,678)</b>	<b>(14,679,945)</b>	<b>(4,061,592)</b>
<b>GROSS INCOME FROM FINANCIAL INTERMEDIATION .....</b>	<b>(1,506,143)</b>	<b>(214,887)</b>	<b>1,544,215</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>			
Commissions and fees (Note 18d) .....	179,296	350,100	378,727
Income from bank charges (Note 2) .....	18,971	26,876	635
Personnel expenses (Note 18e) .....	(191,299)	(322,168)	(217,062)
Other administrative expenses (Note 18f) .....	(218,144)	(391,387)	(336,071)
Taxes (Notes 3n and 18g) .....	(28,172)	(130,091)	(162,930)
Equity in the earnings of subsidiaries and associates (Note 11a) .....	18,219	24,613	5,264
Other operating income (Note 18h) .....	80,003	132,572	61,529
Other operating expenses (Note 18i) .....	(94,906)	(115,100)	(23,494)
	<b>(236,032)</b>	<b>(424,585)</b>	<b>(293,402)</b>
<b>NET OPERATING INCOME .....</b>	<b>(1,742,175)</b>	<b>(639,472)</b>	<b>1,250,813</b>
<b>NON-OPERATING INCOME (EXPENSES), NET (Note 18j) .....</b>	<b>(7,598)</b>	<b>13,912</b>	<b>220,156</b>
<b>PROFIT BEFORE TAXATION AND PROFIT SHARING .....</b>	<b>(1,749,773)</b>	<b>(625,560)</b>	<b>1,470,969</b>
<b>INCOME TAX (Notes 3n and 13a) .....</b>	<b>271,657</b>	<b>(49,684)</b>	<b>(303,380)</b>
<b>SOCIAL CONTRIBUTION ON NET INCOME (Notes 3n and 13a) .....</b>	<b>181,328</b>	<b>1,321</b>	<b>(123,026)</b>
<b>DEFERRED TAXES (Notes 3n and 13a) .....</b>	<b>1,069,315</b>	<b>1,232,648</b>	<b>38,850</b>
<b>PROFIT SHARING .....</b>	<b>(46,330)</b>	<b>(147,603)</b>	<b>(163,437)</b>
<b>NET INCOME/LOSS .....</b>	<b>(273,803)</b>	<b>411,122</b>	<b>919,976</b>
<b>NET INCOME/LOSS PER SHARE - in reais .....</b>	<b>(25.91)</b>	<b>38.90</b>	<b>87.04</b>

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Note 16)**

In thousands of reais

	Capital	Capital increase	Capital reserves		Revenue reserves		Asset valuation adjustments	Retained earnings	Total
			Fiscal incentives and other	Legal	Statutory				
<b>Balances at December 31, 2006</b> .....	<b>2,877,207</b>	-	<b>100,919</b>	<b>243,142</b>	<b>1,814,389</b>	<b>37,187</b>	<b>245,279</b>	<b>5,318,123</b>	
Capitalization of retained earnings and reserves.....	-	1,345,879	(90,356)	-	(1,213,506)	-	(42,017)	-	
Approval of capital increase .....	1,345,879	(1,345,879)	-	-	-	-	-	-	
Revaluation of stock exchange membership certificates.....	-	-	4,693	-	-	-	-	4,693	
Asset valuation adjustments.....	-	-	-	-	-	(36,296)	-	(36,296)	
Net income for the year.....	-	-	-	-	-	-	919,976	919,976	
Appropriation to legal reserve.....	-	-	-	45,999	-	-	(45,999)	-	
Dividends paid/provided (R\$4.205 per share).....	-	-	-	-	(44,442)	-	-	(44,442)	
Interest on own capital paid/provided (R\$26.162 per share).....	-	-	-	-	-	-	(276,508)	(276,508)	
Constitution of statutory reserves .....	-	-	-	-	597,468	-	(597,468)	-	
<b>Balances at December 31, 2007</b> .....	<b>4,223,086</b>	-	<b>15,256</b>	<b>289,141</b>	<b>1,153,909</b>	<b>891</b>	<b>203,263</b>	<b>5,885,546</b>	
<b>Changes in the period</b> .....	<b>1,345,879</b>	-	<b>(85,663)</b>	<b>45,999</b>	<b>(660,480)</b>	<b>(36,296)</b>	<b>(42,016)</b>	<b>567,423</b>	
Revaluation of stock exchange membership certificates.....	-	-	116	-	-	-	-	116	
Asset valuation adjustments.....	-	-	-	-	-	(18,179)	-	(18,179)	
Net income for the year.....	-	-	-	-	-	-	411,122	411,122	
Appropriation to legal reserve.....	-	-	-	20,556	-	-	(20,556)	-	
Dividends paid/provided (R\$4.411 per share).....	-	-	-	-	(20,597)	-	(26,027)	(46,624)	
Interest on own capital paid/provided (R\$34.819 per share).....	-	-	-	-	-	-	(368,000)	(368,000)	
Reversal of statutory reserves .....	-	-	-	-	(3,461)	-	3,461	-	
<b>Balances at December 31, 2008</b> .....	<b>4,223,086</b>	-	<b>15,372</b>	<b>309,697</b>	<b>1,129,851</b>	<b>(17,288)</b>	<b>203,263</b>	<b>5,863,981</b>	
<b>Changes in the period</b> .....	-	-	<b>116</b>	<b>20,556</b>	<b>(24,058)</b>	<b>(18,179)</b>	-	<b>(21,565)</b>	
<b>Balances at June 30, 2008</b> .....	<b>4,223,086</b>	-	<b>15,344</b>	<b>323,387</b>	<b>1,550,437</b>	<b>(40,229)</b>	<b>203,263</b>	<b>6,275,288</b>	
Revaluation of stock exchange membership certificates.....	-	-	28	-	-	-	-	28	
Asset valuation adjustments.....	-	-	-	-	-	22,941	-	22,941	
Loss for the six-month period.....	-	-	-	-	-	-	(273,803)	(273,803)	
Reversal to legal reserve .....	-	-	-	(13,690)	-	-	13,690	-	
Reversal of Dividends paid/provided (R\$2.463 per share).....	-	-	-	-	26,027	-	-	26,027	
Interest on own capital paid/provided (R\$17.646 per share).....	-	-	-	-	-	-	(186,500)	(186,500)	
Reversal of statutory reserves .....	-	-	-	-	(446,613)	-	446,613	-	
<b>Balances at December 31, 2008</b> .....	<b>4,223,086</b>	-	<b>15,372</b>	<b>309,697</b>	<b>1,129,851</b>	<b>(17,288)</b>	<b>203,263</b>	<b>5,863,981</b>	
<b>Changes in the period</b> .....	-	-	<b>28</b>	<b>(13,690)</b>	<b>(420,586)</b>	<b>22,941</b>	-	<b>(411,307)</b>	

**STATEMENTS OF CASH FLOWS**

In thousands of reais

	<b>2<sup>nd</sup> six-month period of 2008</b>	<b>Year ended December 31 2008</b>
<b>OPERATING ACTIVITIES:</b>		
Adjusted net income/loss:		
Net income/loss .....	(273,803)	411,122
Adjustments to net income/loss:		
Adjustment to market value of securities, derivative financial instruments and arbitrage (assets/liabilities) .....	706,369	465,929
Allowance for loan losses .....	1,644,317	1,701,786
Provision for loss in interbank investments .....	1,701	1,701
Provision of derivative overdue .....	59,142	59,142
Amortization and depreciation .....	3,907	6,817
Goodwill amortization .....	69,853	139,668
Adjustment to legal liabilities - tax and social security .....	45,142	135,338
Adjustment to escrow deposits .....	(26,105)	(46,923)
Adjustment to provision for contingent liabilities .....	8,833	11,050
Deferred taxes .....	(1,115,395)	(1,185,317)
Equity in the earnings of subsidiaries and associates .....	(18,219)	(24,613)
Income from available for sale securities .....	(970,767)	(1,408,024)
Income from held to maturity securities .....	(37,335)	(34,980)
(Income) loss from sale of investments .....	2,793	(17,804)
(Income) loss from disposal of assets not for own use .....	(110)	299
Provision reversal (Note 18h) .....	(7,796)	(7,796)
	<u>366,330</u>	<u>(203,727)</u>
	92,527	207,395
<b>Change in assets and liabilities</b>		
(Increase) decrease in interbank investments .....	16,210,602	7,343,960
(Increase) decrease in securities and derivative financial instruments (assets/liabilities) .....	(2,456,821)	(2,649,535)
(Increase) decrease in deposits with the Brazilian Central Bank .....	9,192	1,459
(Increase) decrease in interbank and interdepartmental accounts (assets/liabilities) .....	204,595	212,263
(Increase) decrease loan, lease and other credit operations .....	(14,067,099)	(17,318,655)
(Increase) decrease in other receivables and other assets .....	(276,449)	(345,187)
(Increase) decrease in foreign exchange portfolio and negotiation and intermediation of securities (assets/liabilities) .....	(996,482)	(827,257)
Increase (decrease) in deposits .....	16,615,731	16,874,945
Increase (decrease) in securities sold under repurchase agreements .....	(6,655,457)	(1,332,718)
Increase (decrease) in funds from acceptances and issue of securities .....	1,215,207	1,866,516
Increase (decrease) in borrowings and onlendings .....	4,960,920	4,976,146
Increase (decrease) in other liabilities .....	(393,949)	78,011
Payment of income tax and social contribution .....	(59,874)	(208,220)
	<u>14,310,116</u>	<u>8,671,728</u>
<b>Net cash provided by / (used in) operating activities .....</b>	<b>14,402,643</b>	<b>8,879,123</b>
<b>INVESTMENTS ACTIVITIES:</b>		
Funds from sale of available for sale securities .....	6,520,267	10,399,922
Funds from redemption of held to maturity securities .....	13,901	27,232
Disposal of assets not for own use .....	920	1,853
Disposal of investments .....	-	21,985
Payment of income tax and social contribution from sale of investments .....	(8,021)	(8,290)
Sale of fixed assets .....	30	47
Purchase of available for sale securities .....	(7,490,567)	(12,464,660)
Purchase of investments .....	(305)	(2,020)
Goodwill on purchase of investments .....	-	(1,534)
Purchase of intangible assets .....	(5,189)	(11,237)
<b>Net cash provided by / (used in) investment activities .....</b>	<b>(968,964)</b>	<b>(2,036,702)</b>
<b>FINANCING ACTIVITIES:</b>		
Interest on own capital and dividends paid .....	(186,176)	(362,856)
Payment of income tax and social contribution of interest on own capital .....	(32,854)	(55,805)
(Decrease) increase in deferred income .....	23,792	15,301
<b>Net cash provided by / (used in) financing activities .....</b>	<b>(195,238)</b>	<b>(403,360)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS .....</b>	<b>13,238,441</b>	<b>6,439,061</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
At the beginning of the six-month period/year .....	4,722,132	11,521,512
At the end of the six-month period/year .....	17,960,573	17,960,573
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS .....</b>	<b>13,238,441</b>	<b>6,439,061</b>

## **NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

### **1. OPERATIONS**

Banco Itaú BBA S.A. ("Itaú BBA") develops its business within a wholesale bank structure, dedicated to attending customers.

### **2. PRESENTATION OF THE FINANCIAL STATEMENTS**

The financial statements of Itaú BBA have been prepared in accordance with accounting principles established by the Brazilian corporate law, including the amendments introduced by Law 11638/07, and by Provisional Measure 449/08, taken into consideration for the first time in 2008 (Note 180), in conformity, when applicable, with instructions issued by the Brazilian Central Bank ("BACEN") and the National Monetary Council ("CMN").

As determined by BACEN Circular 2804/98, the financial information of the foreign branches is included in the consolidated financial statements of Itaú BBA, converted into Brazilian reais at the exchange rates prevailing on the balance sheet dates.

As set forth in the sole paragraph of article 7 of BACEN Circular 3068/01, securities classified as trading securities are presented in the balance sheet under current assets, regardless of their maturity dates.

Advances on exchange contracts are reclassified from Other liabilities - Foreign exchange portfolio. The foreign exchange result is presented on an adjusted basis, with the reclassification of income and expenses, in order to present exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

CMN Resolution 3518/07 governs the collection of service fees by financial institutions and other institutions authorized to operate by BACEN, producing effects as from April 30, 2008. The income arising from the collection of these fees will be disclosed in the Statement of income, in the "Income from bank charges" heading, created by BACEN circular letter 3324/08.

### **3. SIGNIFICANT ACCOUNTING PRACTICES**

#### **a) Cash and cash equivalents**

For purposes of statement of cash flows, it includes cash and current accounts in banks (considered in the heading cash and cash equivalents), interbank deposits that have original maturities of up 90 days or less and securities purchased under agreements to resell - Funded position.

#### **b) Interbank investments, Remunerated restricted credits - BACEN, Remunerated deposits, Securities sold under repurchase agreements, Funds from acceptances and issue of securities, Borrowings and onlendings and Other receivables and payables**

Transactions subject to monetary correction and foreign exchange variation and operations with fixed charges are recorded at present value, calculated "pro rata die" based on the variation of the contracted index and interest rate.

#### **c) Securities**

In accordance with BACEN Circular 3068/01 and complementary regulations, securities are classified in three specific categories, based on the Bank's intention of negotiation. Accordingly, securities are being presented in conformity with the following criteria for recording and accounting valuation, in the following categories:

- i - Trading securities – securities acquired to be actively and frequently traded, adjusted to market value with a corresponding entry to the results for the period;
- ii - Securities available for sale – securities that can be negotiated but are not acquired to be actively and frequently traded. They are adjusted to their market value with a corresponding entry to the stockholders' equity account "Asset valuation adjustment"; and
- iii - Securities held to maturity – securities, except for non-redeemable shares, for which the bank has the financial condition and intends or is required to hold them in the portfolio up to their maturity, are recorded at cost of acquisition, or market value, whenever these are transferred from another category. The securities are updated up to their maturity date, not being adjusted to market value.

Gains and losses on securities available for sale, when realized, are recognized at the trade date in the statement of income, with a corresponding entry to the stockholders' equity account, "Asset valuation adjustments".

Decreases in the market value of securities available for sale and those held to maturity below their respective costs, resulting from non-temporary motives, are recorded in results as realized losses.

The incomes of the security, calculated "pro rata die" based on the variation of the contracted index and interest rate, are appropriated to the result of the period, independently of the category where they are classified.

#### **d) Derivative financial instruments**

The derivative financial instruments are classified on the date of their acquisition, according to management's intention of using them either as a hedge or not, in accordance with BACEN Circular 3082/02.

The derivative financial instruments which do not meet the criteria for hedge, particularly those used to manage overall risk exposure, are accounted for at market value with the realized and unrealized gains and losses recognized directly in the statement of income.

The derivatives used for protection against risk exposure or to modify the characteristics of financial assets and liabilities, which are highly correlated to changes in the market value of the item being protected, both at the beginning and throughout the duration of the contract, and which are deemed to be effective in reducing the risk-related exposure being protected, are classified as a hedge, in accordance with their nature:

- i - "Market value hedge" – Financial assets and liabilities, as well as their related financial instruments, are accounted for at market value with the realized and unrealized gains and losses recognized directly in the statement of income;
- ii - "Cash flow hedge" – The effective amount of the hedge of financial assets and liabilities, as well as their related financial instruments, are accounted for at their market values with the realized and unrealized gains and losses, net of tax effects, when applicable, recorded in a specific account in stockholders' equity. The ineffective amount of the hedge is recorded directly in the statement of income;
- iii - However, if the hedged instrument is a security classified as "held to maturity", the security as well as the derivative financial instrument are recorded in the accounts in accordance with the intrinsic contractual conditions, and are not adjusted to market value.

#### **e) Loan and other credits operations (Operations with credit granting characteristics)**

These transactions are recorded at present values and calculated "pro rata die" based on the variation of the contracted index and are recorded on the accrual basis until the 60th day overdue. After the 60th day, income is recognized upon the effective receipt of installments. Income arising from recovery of previously written off operations is classified under income from loan and other credit operations.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**f) Lease receivable and guaranteed residual value (GRV)**

Recorded at the contractual amount, as a contra entry to adjustment accounts of unearned lease income accounts and residual value to be compensated, both presented at the agreed conditions. GRV received in advance is recorded in Other liabilities - Creditors for advance of residual value to the date of contractual termination. The adjustment to present value of consideration and GRV receivable from lease operations are recognized as excess/ insufficiency of depreciation in leased fixed assets, aiming at conforming the accounting practices to CVM Instruction 58/86, and BACEN Circular 1429/89. Lease operations are accrued up to the 60th day in arrears. After the 60th day, the recognition in result occurs upon the effective receipt of installments, and revenue arising from the recovery of previously written off operations is classified under Income from Lease Operations.

**g) Allowance for loan losses**

The balance of the allowance for loan losses was recorded based on the credit risk analysis, at an amount considered sufficient to cover loan losses according to the rules determined by CMN Resolution 2682/99, among which are:

- i - Provisions are recorded from the date loans are granted, based on the client's risk rating and on the periodic quality evaluation of clients and industries, and not only in the event of default;
- ii - Based exclusively on delinquency, write-offs of credit operations against loss may be carried out after 360 days after the due date of the credit or after 540 days for operations that mature after a period of 36 months. Additionally, other factors linked to the client/loan quality analysis may give rise to write-offs before these periods, but under no circumstance before 180 days after maturity.

**h) Investments**

The investments in subsidiaries are accounted for under the equity method and the financial statements of foreign branches are consolidated, adapted to comply with Brazilian accounting practices and translated into reais. Other investments are recorded at cost plus price-level restatements up to December 31, 1995 and, when applicable, by setting up a provision for loss, in accordance with current standards.

The goodwill is being amortized based on the expected future profitability (10 years) or through the realization of investments.

**i) Fixed assets**

Correspond to rights whose subjects are tangible assets intended for maintenance of the company's operations or which are exercised for such purpose, including assets arising from transactions that transfer to the company their benefits, risks and control. Fixed assets are stated at cost of acquisition, less accumulated depreciation, restated up to December 31, 1995. Depreciation is calculated using the straight-line method, based on monetarily corrected cost. Depreciation is calculated at the following annual rates:

Properties for own use .....	4% and 5%
Leasehold improvements .....	From 10%
Installations, furniture, equipment and security and communication systems .....	10%
Vehicles and data processing equipment .....	20%

**j) Leased assets**

Leased assets are stated at cost of acquisition, restated up to December 31, 1995. The depreciation of leased assets is recognized under the straight-line method, based on their usual useful lives, taking into account that the useful life shall be decreased by 30% should it meet the conditions provided for by the Ordinance 113/98 issued by the Ministry of Finance.

Annual depreciation rates, not considering said reduction are: buildings 4%; furniture, fixture and installations 10%, machine and equipment from 10% to 50%, vehicle and the like from 20% to 25% and other assets from 10% to 20%.

**k) Intangible assets**

Correspond to rights purchased whose subjects are intangible assets intended for maintenance of the company or which are exercised for such purpose, according to the CMN Resolution 3642/08. It is composed goodwill of merged subsidiary and corresponds to the goodwill on the purchase of the investment, which was transferred to intangible assets in accordance with Law 9532/97, to be amortized in 64 months.

**l) Reduction to the recoverable amount of assets**

A loss is recognized when there are clear evidences that assets are stated at a non-recoverable amount. From 2008, this procedure started to be adopted annually in the fourth quarter.

**m) Contingent assets and liabilities and legal obligations - Tax and social security**

These items are assessed, recognized and disclosed according to the provisions set forth in CMN Resolution 3535/08.

**i- Contingent assets and liabilities:**

These assets and liabilities refer to potential rights and obligations arising from past events, the occurrence of which is dependent upon future events.

- Contingent assets: these assets are not recognized, except upon evidence ensuring a high reliability level of realization, usually represented by claims awarded a final unappealable judgment and confirmation of the recoverability of the claim through receipt of amounts or offset against another liability.
- Contingent liabilities: these liabilities basically arise from administrative proceedings and lawsuits, inherent in the normal course of business, filed by third parties, former employees and government bodies, in connection with civil, labor, tax and social security lawsuits and other risks. These contingencies are calculated based on conservative practices, being usually recorded based on the opinion of legal advisors and considering the probability that financial resources shall be required for settling the obligation, the amount of which may be estimated with sufficient certainty. Contingencies are classified either as probable, for which provisions are recorded; possible, which are disclosed but not recorded; or remote, for which recognition or disclosure are not required. Any contingent amounts are measured through the use of models and criteria which allow their adequate measurement, in spite of the uncertainty of their term and amounts.

**ii- Legal obligations - Tax and social security:**

These liabilities are represented by amounts payable related to tax liabilities, the legality or constitutionality of which are subject to judicial challenge, recognized at the full amount under discussion.

Liabilities and related escrow deposits are adjusted in accordance with the current legislation.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**n) Taxes**

These provisions are calculated according to current legislation at the rates shown below, based on the respective calculation bases.

Income tax .....	15.00%
Additional income tax .....	10.00%
Social contribution on net income <sup>(1)</sup> .....	9.00% and 15.00%
PIS - Social Integration Program.....	0.65%
COFINS - Social Contribution on Revenues.....	4.00%
ISS - Services Tax .....	up to 5.00%

<sup>(1)</sup> As from May 1, 2008, for financial institution and equivalent companies, the rate was changed from 9.00% to 15.00%, as provided for by articles 17 and 41 of Law 11727/08.

Itaú BBA recognizes deferred income tax and social contribution on temporarily non-deductible provisions, income tax and social contribution losses; and on adjustments to market value of its own securities and derivative financial instruments.

The changes introduced by Law 11638/07 and Provisional Measure 449/08 (articles 36 and 37), which modified the criterion for recognizing revenues, costs and expenses, computed to determine the net income for the year, did not produce effects for purposes of determining the taxable income of companies that opt for the Transitory Tax Regime (RTT), so for tax purposes the rules effective on December 31, 2007 were followed. The tax effects arising from the adoption of such rules are recorded, for accounting purposes, in the corresponding deferred assets and liabilities.

**o) Deferred income**

Deferred income refers basically to income received in advance of the contractual due date, which is not expected to be refunded and which can be recognized as effective income based on the passage of time.

**p) Determination of net income**

Net income is recorded on the accrual basis of accounting.

**4. CASH AND CASH EQUIVALENTS**

For purposes of statement of cash flows, cash and cash equivalents (Note 3a) is composed of the following:

	<b>2008</b>	<b>2007</b>
Cash and cash equivalents.....	232,680	225,801
Interbank deposits <sup>(*)</sup> .....	8,398,450	8,641,927
Investments in the open market - Funded position.....	9,329,443	2,653,784
	<u>17,960,573</u>	<u>11,521,512</u>

<sup>(\*)</sup> Formed for operations contracted for period of up to 90 days.

**5. INTERBANK INVESTMENTS**

Interbank investments can be summarized as follows:

	<b>2008</b>					<b>2007</b>				
	<b>Balance</b>	<b>Due up to three months</b>	<b>Due from three to six months</b>	<b>Due from six to 12 months</b>	<b>Due after 12 months</b>	<b>Balance</b>	<b>Due up to three months</b>	<b>Due from three to six months</b>	<b>Due from six to 12 months</b>	<b>Due after 12 months</b>
Investment in the open market										
Funded position										
Without free movement.....	8,581,279	671,275	263,067	546,478	7,100,459	2,015,028	474,127	-	19,660	1,521,241
With free movement <sup>(*)</sup> .....	748,164	598,018	150,146	-	-	638,756	403,162	235,594	-	-
	<u>9,329,443</u>	<u>1,269,293</u>	<u>413,213</u>	<u>546,478</u>	<u>7,100,459</u>	<u>2,653,784</u>	<u>877,289</u>	<u>235,594</u>	<u>19,660</u>	<u>1,521,241</u>
Financed position.....	7,617,814	-	-	1,080,523	6,537,291	11,225,683	32,325	-	4,948	11,188,410
	<u>16,947,257</u>	<u>1,269,293</u>	<u>413,213</u>	<u>1,627,001</u>	<u>13,637,750</u>	<u>13,879,467</u>	<u>909,614</u>	<u>235,594</u>	<u>24,608</u>	<u>12,709,651</u>
Interbank deposits .....	32,046,381	13,446,377	1,690,731	6,427,566	10,481,707	36,027,650	13,704,131	4,578,977	6,697,915	11,046,627
Total.....	<u>48,993,638</u>	<u>14,715,670</u>	<u>2,103,944</u>	<u>8,054,567</u>	<u>24,119,457</u>	<u>49,907,117</u>	<u>14,613,745</u>	<u>4,814,571</u>	<u>6,722,523</u>	<u>23,756,278</u>

<sup>(\*)</sup> At December 31, 2008, R\$440,495 (2007 - R\$16,214) were restricted to guarantee operations of R\$402,964 in the BM&F Bovespa S.A. and R\$37,531 in the BACEN.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

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**6. SECURITIES**

	<b>2008</b>							
	<b>Cost of acquisition<sup>(b)</sup></b>	<b>Market value<sup>(c)</sup></b>	<b>Adjustment (market less cost)</b>		<b>Due up to three months</b>	<b>Due from three to six months</b>	<b>Due from six to 12 months</b>	<b>Maturity</b>
			<b>Gross amount</b>	<b>Net amount</b>				<b>Due after 12 months</b>
<b>Trading:</b> <sup>(a)</sup>								
Brazilian government securities .....	4,747,920	4,786,320	38,400		1,398,642	584,299	1,448,372	1,355,007
Foreign government securities .....	407,490	415,939	8,449		803	1,649	-	413,487
Debentures and commercial paper .....	58,802	57,216	(1,586)		22,640	-	13,724	20,852
Shares .....	41,320	30,292	(11,028)		30,292	-	-	-
Real estate receivables certificates .....	24,712	26,193	1,481		-	-	4,746	21,447
Eurobonds and others .....	373,633	381,586	7,953		381,586	-	-	-
Funds .....	401,117	401,117	-		401,117	-	-	-
	<u>6,054,994</u>	<u>6,098,663</u>	<u>43,669<sup>(d)</sup></u>		<u>2,235,080</u>	<u>585,948</u>	<u>1,466,842</u>	<u>1,810,793</u>
<b>Available for sale:</b>								
Brazilian government securities .....	14,255	14,252	(3)	(2)	13,957	45	41	209
Foreign government securities .....	4,838,533	4,790,498	(48,035)	(27,467)	416,891	706,926	714,997	2,951,684
Debentures and commercial paper .....	4,825,832	4,830,705	4,873	2,773	310,507	677,460	2,003,693	1,839,045
Shares .....	1,614,215	1,627,716	13,501	7,698	1,627,716	-	-	-
Real estate receivables certificates .....	57,624	59,717	2,093	1,198	218	8,403	439	50,657
Eurobonds and others .....	523,927	521,447	(2,480)	(1,488)	6,538	2,389	4,507	508,013
Funds .....	900,396	900,396	-	-	900,396	-	-	-
	<u>12,774,782</u>	<u>12,744,731</u>	<u>(30,051)</u>	<u>(17,288)<sup>(e)</sup></u>	<u>3,276,223</u>	<u>1,395,223</u>	<u>2,723,677</u>	<u>5,349,608</u>
<b>Held to maturity:</b>								
Brazilian government securities .....	99,067	121,502			9,211	1,537	9,376	78,943
Debentures and commercial paper .....	5,944	5,944			345	349	710	4,540
	<u>105,011</u>	<u>127,446<sup>(f)</sup></u>			<u>9,556</u>	<u>1,886</u>	<u>10,086</u>	<u>83,483</u>
<b>Total .....</b>	<u><u>18,934,787</u></u>	<u><u>18,970,840</u></u>			<u><u>5,520,859</u></u>	<u><u>1,983,057</u></u>	<u><u>4,200,605</u></u>	<u><u>7,243,884</u></u>

## NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007

All amounts in thousands of reais, unless otherwise indicated

(continued)

	2007							
	Cost of acquisition <sup>(b)</sup>	Market value <sup>(c)</sup>	Adjustment (market less cost)		Due up to three months	Due from three to six months	Due from six to 12 months	Maturity Due after 12 months
			Gross amount	Net amount				
<b>Trading:</b> <sup>(a)</sup>								
Brazilian government securities .....	2,359,896	2,346,705	(13,191)		7,094	295,028	954,397	1,090,186
Foreign government securities .....	300,779	302,343	1,564		5,157	-	-	297,186
Debentures and commercial paper .....	58,223	58,214	(9)		12,113	-	9,749	36,352
Shares .....	48,182	51,085	2,903		51,085	-	-	-
Real estate receivables certificates .....	93,234	97,776	4,542		-	-	16,147	81,629
Eurobonds and others .....	355,801	350,648	(5,153)		-	-	-	350,648
Funds .....	314,569	314,569	-		314,569	-	-	-
	<u>3,530,684</u>	<u>3,521,340</u>	<u>(9,344)<sup>(d)</sup></u>		<u>390,018</u>	<u>295,028</u>	<u>980,293</u>	<u>1,856,001</u>
<b>Available for sale:</b>								
Brazilian government securities .....	12,409	12,412	3	2	-	-	-	12,412
Foreign government securities .....	1,031,862	1,034,330	2,468	1,635	480	517,756	497,013	19,081
Debentures and commercial paper .....	2,411,709	2,411,698	(11)	(9)	127,988	175,454	579,550	1,528,706
Shares .....	540,536	541,790	1,254	789	541,790	-	-	-
Real estate receivables certificates .....	69,217	68,732	(485)	(305)	217	8,266	2,194	58,055
Eurobonds and others .....	4,328,279	4,326,112	(2,167)	(1,218)	916,337	1,864,031	748,040	797,704
Funds .....	871,485	871,485	-	-	871,485	-	-	-
	<u>9,265,497</u>	<u>9,266,559</u>	<u>1,062</u>	<u>894<sup>(e)</sup></u>	<u>2,458,297</u>	<u>2,565,507</u>	<u>1,826,797</u>	<u>2,415,958</u>
<b>Held to maturity:</b>								
Brazilian government securities .....	89,855	116,846			9,364	1,240	10,105	69,146
Debentures and commercial paper .....	7,408	7,408			366	368	738	5,936
	<u>97,263</u>	<u>124,254<sup>(f)</sup></u>			<u>9,730</u>	<u>1,608</u>	<u>10,843</u>	<u>75,082</u>
<b>Total .....</b>	<u>12,893,444</u>	<u>12,912,153</u>			<u>2,858,045</u>	<u>2,862,143</u>	<u>2,817,933</u>	<u>4,347,041</u>

<sup>(a)</sup> Securities classified as trading securities are presented in the balance sheet as current assets, regardless of their maturity dates.<sup>(b)</sup> Cost of acquisition plus income accrued up to the balance sheet date.<sup>(c)</sup> The market value is determined considering cash flow discounted to present value using interest rates or prices considered as representative of market conditions on the closing of the balance sheet, applicable for each type of security.<sup>(d)</sup> Recognized directly in the statement of income.<sup>(e)</sup> The unrealized gains/losses are recorded in a special stockholders' equity account net of taxes.<sup>(f)</sup> Securities held to maturity are not stated at market values for accounting purposes and the amounts presented are therefore only informative.

## Comments:

i - Securities given in guarantee amount to R\$4,691,488 (2007 - R\$3,269,570) and were given as guarantee of: (i) derivative financial instruments in the BM&F Bovespa R\$3,246,801 (2007 - R\$1,732,539); (ii) funding R\$1,367,566 (2007 - R\$1,435,203); and (iii) others R\$77,121 (2007 - R\$101,828).

ii - No reclassification or changes to the current guidelines were carried out in the period.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

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**7. DERIVATIVE FINANCIAL INSTRUMENTS**

The globalization of the markets in recent years has resulted in a high level of sophistication in the financial products used. As a result of this process, there has been an increasing demand for derivative financial instruments to manage market risks, mainly arising from fluctuations in interest and exchange rates, commodities and other asset prices. Accordingly, Itaú BBA operates in the derivative markets for meeting the growing needs of its clients, as well as carrying out its risk management policy. Such policy is based on the use of derivative instruments to minimize the risks resulting from commercial and financial operations.

The derivative financial instruments' business with clients is carried out after the approval of credit limits. The process of limit approval takes into consideration potential stress scenarios.

Knowing the client, the sector in which it operates and its risk-taking profile, in addition to providing information on the risks involved in the transaction and the negotiated conditions ensure transparency in the relationship between the parties and supply of a product that better meet the needs of the client in view of its operating characteristics.

The derivative transactions carried out by Itaú BBA with customers are neutralized in order to eliminate market risks.

Most derivative contracts traded by the institution with clients in Brazil are swap, forwards, option and futures contracts, which are registered at the BM&F Bovespa or at the Clearing House for the Custody and Financial Settlement of Securities (CETIP). Overseas transactions are carried out with futures, forwards, options, and swaps with registration mainly in the Chicago, New York and London exchanges. It should be emphasized that there are over-the-counter operations, but their risks are low as compared to the institutions' total. Noteworthy is also the fact that there are no structured operations based on subprime assets and all operations are based on risk factors traded at stock exchanges.

The main risk factors of the derivatives, assumed at December 31, 2008, were related to the foreign exchange rate, interest rate, commodities, U.S. dollar coupon, Reference Rate coupon, Libor and variable income. The management of these and other market risk factors is supported by the infrastructure of sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to optimize the risk-return ratios, even under highly volatile situations.

Most derivatives included in the institution's portfolio are traded at stock exchanges. The prices disclosed by stock exchanges are used, for these derivatives except in cases in which the low representativeness of price due to illiquidity of a specific contract is identified. Derivatives typically precified like this are future contracts. Likewise, there are other instruments whose quotations (fair prices) are directly disclosed by independent institutions and which are precified based on this direct information. A great part of the Brazilian government securities, highly-liquid international (public and private) securities and shares fit into this situation.

For derivatives whose prices are not directly disclosed by stock exchanges, fair prices are obtained by pricing models which use market information, deducted based on prices disclosed for higher liquidity assets. Interest and market volatility curves which provide entry data for the models are extracted from those prices. Over-the-counter derivatives, forward contracts and securities without much liquidity are in this situation.

## NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007

All amounts in thousands of reais, unless otherwise indicated

(continued)

a) See below the composition of the derivative financial instruments portfolio (assets and liabilities) by type of instrument, reference ratio stated at notional amount, cost and market value:

	Memorandum account/ notional amount		Balance sheet account receivable/ (received) (payable)/ paid	Adjustment to market value	Market value	
	2008	2007	2008	2008	2008	2007
<b>i) Swap contracts</b>						
<b>Asset position</b>						
Foreign currency .....	32,636,149	13,017,162	3,034,526	(178,457)	2,856,069	86,220
Floating rate .....	17,802,846	17,925,357	21,663	(21,340)	323	11,755
Fixed rate .....	22,212,722	13,499,887	203,703	114,300	318,003	547,864
Interbank market .....	29,977,733	19,128,366	246,997	61,366	308,363	1,010,453
Indices .....	4,728,202	5,083,358	242,567	(58,359)	184,208	296,280
Commodities.....	40,194	14,198	7	34	41	1,606
	107,397,846	68,668,328	3,749,463	(82,456)	3,667,007	1,954,178
<b>Liability position</b>						
Foreign currency .....	41,011,837	19,922,348	(4,838,651)	325,427	(4,513,224)	(103,690)
Floating rate .....	3,268,670	1,158,340	(193,605)	42,625	(150,980)	(33,969)
Fixed rate .....	24,020,234	12,086,441	(140,219)	(262,235)	(402,454)	(311,541)
Interbank market .....	35,674,906	29,818,864	(261,528)	(70,740)	(332,268)	(1,202,535)
Indices .....	5,235,626	5,535,053	(259,537)	64,402	(195,135)	(195,576)
Commodities.....	136,103	141,645	(5,453)	165	(5,288)	(3,269)
	109,347,376	68,662,691	(5,698,993)	99,644	(5,599,349)	(1,850,580)
			(1,949,530)	17,188	(1,932,342)	103,598
<b>ii) Futures contracts</b>						
<b>Purchase commitments</b>						
Foreign currency .....	10,614,363	14,782,068	-	1,778	1,778	(32,908)
Interest rate .....	848,200	619,710	-	383	383	218
Indices .....	1	53,373	-	58	58	32
Securities .....	-	623,834	-	-	-	126
Commodities.....	374,540	1,488	-	(32,411)	(32,411)	-
	11,837,104	16,080,473	-	(30,192)	(30,192)	(32,532)
<b>Sale commitments</b>						
Foreign currency .....	10,335,695	11,178,180	-	1,177	1,177	23,769
Interest rate .....	9,572,723	7,142,933	-	(4,870)	(4,870)	(3,147)
Indices .....	1	1,050,913	-	(76)	(76)	-
Commodities.....	592,955	-	-	30,951	30,951	-
	20,501,374	19,372,026	-	27,182	27,182	20,622
	32,338,478	35,452,499	-	(3,010)	(3,010)	(11,910)
<b>iii) Option contracts</b>						
<b>Purchase of right</b>						
Foreign currency .....	2,172,163	1,402,786	220,288	60,817	281,105	10,129
Indices .....	2,177,700	17,932,750	39,111	(11,316)	27,795	14,645
Reais .....	-	309,978	-	-	-	918
Shares .....	-	101,898	-	-	-	3,689
Commodities.....	25,338	67,788	3,427	(3,421)	6	2,801
Others .....	-	294,104	-	-	-	345
	4,375,201	20,109,304	262,826	46,080	308,906	32,527
<b>Sale of right</b>						
Foreign currency .....	937,218	535,696	16,811	(7,087)	9,724	14,008
Indices .....	152	4,540,086	3,353	20,384	23,737	428
Reais .....	46,740	88,565	6,904	1,113	8,017	-
Securities .....	-	479,402	-	-	-	349
Shares .....	842,773	781,453	308,786	11	308,797	247,928
Commodities.....	47,717	-	6,270	22,179	28,449	-
Others .....	128,535	185,987	1,512	(1,337)	175	3,267
	2,003,135	6,611,189	343,636	35,263	378,899	265,980
<b>Sale of obligation</b>						
Foreign currency .....	7,255,191	4,241,217	(510,149)	(528,085)	(1,038,234)	(47,402)
Indices .....	2,467,700	33,011,831	(43,411)	10,304	(33,107)	(20,822)
Reais .....	168,591	403,325	(13,857)	4,394	(9,463)	(19,003)
Securities .....	-	102,735	-	-	-	(166)
Commodities.....	56,551	16,427	(6,271)	6,267	(4)	(972)
	9,948,033	37,775,535	(573,688)	(507,120)	(1,080,808)	(88,365)
<b>Purchase of obligation</b>						
Foreign currency .....	1,080,887	406,733	(23,799)	12,254	(11,545)	(9,119)
Indices .....	295	1,945,092	(3,720)	(36,249)	(39,969)	(186)
Reais .....	1,456,236	1,967,936	(61,612)	(172,025)	(233,637)	(15,400)
Securities .....	-	478,782	-	-	-	(163)
Shares .....	-	75,316	-	-	-	(2,452)
Commodities.....	25,338	54,929	(3,426)	(13,216)	(16,642)	(3,107)
	2,562,756	4,928,788	(92,557)	(209,236)	(301,793)	(30,427)
	18,889,125	69,424,816	(59,783)	(635,013)	(694,796)	179,715

## NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007

All amounts in thousands of reais, unless otherwise indicated

(continued)

	Memorandum account/ notional amount		Balance sheet account receivable/ (received) (payable)/ paid	Adjustment to market value	Market value	
	2008	2007	2008	2008	2008	2007
<b>iv) Credit derivatives</b>						
<b>Asset position</b>						
Fixed rate .....	1,793,761	2,562,989	3,972	4,378	8,350	28,447
<b>Liability position</b>						
Fixed rate .....	1,417,987	1,825,236	(100,831)	(52,246)	(153,077)	(41,250)
Others .....	-	156,000	-	-	-	(149)
	1,417,987	1,981,236	(100,831)	(52,246)	(153,077)	(41,399)
	3,211,748	4,544,225	(96,859)	(47,868)	(144,727)	(12,952)
<b>v) Forward operations</b>						
<b>Asset position</b>						
Foreign currency .....	7,891,934	2,654,241	1,267,972	(9,597)	1,258,375	117,663
Reais .....	1,753,318	433,841	259,287	-	259,287	26,981
Commodities .....	7,946	12,453	4,027	-	4,027	1,536
	9,653,198	3,100,535	1,531,286	(9,597)	1,521,689	146,180
<b>Liability position</b>						
Foreign currency .....	3,947,068	5,651,294	(357,517)	11,357	(346,160)	(462,697)
Reais .....	728,459	1,090,833	(115,621)	-	(115,621)	(241,752)
Commodities .....	91,220	71,203	(10,919)	756	(10,163)	(4,632)
	4,766,747	6,813,330	(484,057)	12,113	(471,944)	(709,081)
	14,419,945	9,913,865	1,047,229	2,516	1,049,745	(562,901)
<b>vi) Swap with target flow</b>						
<b>Swap</b>						
<b>Asset position</b>						
Foreign currency .....	667,126	-	83,391	(56,547)	26,844	-
Floating rate .....	29,144	-	-	-	-	-
Fixed rate .....	237,636	-	-	-	-	-
Interbank market .....	676,834	-	9	611	620	-
Commodities .....	13,129	-	-	-	-	-
	1,623,869	-	83,400	(55,936)	27,464	-
<b>Liability position</b>						
Foreign currency .....	1,193,900	-	(260,991)	141,766	(119,225)	-
Floating rate .....	29,191	-	(47)	(228)	(275)	-
Fixed rate .....	53,274	-	(57)	(1,652)	(1,709)	-
Interbank market .....	529,025	-	(4,987)	(19,042)	(24,029)	-
Commodities .....	1,161	-	-	-	-	-
	1,806,551	-	(266,082)	120,844	(145,238)	-
<b>Target flow swap (*)</b>						
<b>Asset position</b>						
Foreign currency .....	8,901,042	-	1,055,595	328,320	1,383,915	-
Indices .....	40,801	-	-	2,121	2,121	-
Reais .....	-	-	-	49,884	49,884	-
Commodities .....	206,138	-	-	97,863	97,863	-
	9,147,981	-	1,055,595	478,188	1,533,783	-
<b>Liability position</b>						
Foreign currency .....	1,617,873	-	(195,837)	(80,971)	(276,808)	-
Reais .....	257,070	-	(10,516)	(72,591)	(83,107)	-
Commodities .....	152,010	-	(19,268)	(78,105)	(97,373)	-
	2,026,953	-	(225,621)	(231,667)	(457,288)	-
			647,292	311,429	958,721	-

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

(continued)

	Memorandum account/ notional amount		Balance sheet account receivable/ (received) (payable)/ paid	Adjustment to market value	Market value	
	2008	2007	2008	2008	2008	2007
<b>vii) Others</b>						
<b>Asset position</b>						
Foreign currency .....	3,150,977	4,809,788	-	1,372	1,372	13,887
Fixed rate .....	-	141,704	-	-	-	2,684
	3,150,977	4,951,492	-	1,372	1,372	16,571
<b>Liability position</b>						
Foreign currency .....	3,369,019	-	-	(698)	(698)	-
Fixed rate .....	-	301,121	-	-	-	(5,363)
	3,369,019	301,121	-	(698)	(698)	(5,363)
<b>Arbitrage <sup>(**)</sup></b>						
<b>Asset position</b>						
Foreign currency .....	-	-	3,179,214	(57,555)	3,121,659	3,436,976
<b>Liability position</b>						
Foreign currency .....	-	-	(3,102,776)	176,764	(2,926,012)	(3,394,559)
	6,519,996	5,252,613	76,438	119,883	196,321	53,625

<sup>(\*)</sup> The exposition in foreign currency of these operations is neutralized in order to eliminate the market risks.<sup>(\*\*)</sup> The arbitrage transactions are classified in Other receivables and Other liabilities - foreign exchange portfolio (Note 9).

Derivative contracts mature as follows:

Memorandum / notional amount	Due up to three months	Due from three to six months	Due from six to 12 months	Due after 12 months	Total 2008	Total 2007
Swap contracts .....	40,653,101	16,623,069	14,222,658	32,149,555	103,648,383	66,720,430
Futures contracts .....	9,888,114	2,440,837	10,006,954	10,002,573	32,338,478	35,452,499
Option contracts .....	7,742,079	3,063,000	3,234,904	4,849,142	18,889,125	69,424,816
Credit derivatives .....	516,177	1,057,535	323,674	1,314,362	3,211,748	4,544,225
Forward operations .....	8,797,255	2,150,554	2,477,502	994,634	14,419,945	9,913,865
Swap with target flow .....	1,308,305	13,461	82,369	136,335	1,540,470	-
Target flow swap .....	3,483,213	1,921,359	2,217,354	3,553,008	11,174,934	-
Others .....	1,785,468	485,862	1,190,818	3,057,848	6,519,996	5,252,613

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

(continued)

b) See below the composition of the derivative financial instruments portfolio (assets and liabilities) by type of instrument, trading location, counterparty and maturity, stated at cost and market value:

	<b>2008</b>							<b>2007</b>
	<b>Cost</b>	<b>Adjustment to market value (in results)</b>	<b>Market value</b>	<b>Due up to three months</b>	<b>Due from three to six months</b>	<b>Due from six to 12 months</b>	<b>Due after 12 months</b>	<b>Market value</b>
<b>ASSETS</b>								
<b>i) Swap contracts</b>								
Companies.....	1,306,515	57,003	1,363,518	424,202	501,706	270,635	166,975	658,777
Stock Exchanges .....	182,361	(30,487)	151,874	20,024	13,944	21,843	96,063	234,459
Financial institutions.....	8,689	8,081	16,770	4,447	7,729	1,306	3,288	6,528
Related parties .....	2,251,898	(117,053)	2,134,845	906,997	360,206	555,903	311,739	1,053,927
Individuals.....	-	-	-	-	-	-	-	487
	<u>3,749,463</u>	<u>(82,456)</u>	<u>3,667,007</u>	<u>1,355,670</u>	<u>883,585</u>	<u>849,687</u>	<u>578,065</u>	<u>1,954,178</u>
<b>ii) Futures contracts</b>								
Companies.....	-	30,995	30,995	-	-	20,692	10,303	-
Stock Exchanges .....	-	6,626	6,626	1,935	163	1,600	2,928	25,692
	-	37,621	37,621	1,935	163	22,292	13,231	25,692
<b>iii) Option contracts</b>								
Companies.....	486,764	48,524	535,288	31,482	329,934	72,649	101,223	258,672
Stock Exchanges .....	112,004	38,792	150,796	60,177	21,339	20,928	48,352	20,970
Financial institutions.....	7,687	(5,970)	1,717	1,048	279	132	258	18,520
Related parties .....	7	(3)	4	4	-	-	-	345
	<u>606,462</u>	<u>81,343</u>	<u>687,805</u>	<u>92,711</u>	<u>351,552</u>	<u>93,709</u>	<u>149,833</u>	<u>298,507</u>
<b>iv) Credit derivatives</b>								
Financial institutions.....	3,972	4,378	8,350	4,746	3,281	-	323	28,447
<b>v) Forward operations</b>								
Companies.....	1,271,983	(10,630)	1,261,353	588,427	196,488	344,896	131,542	113,368
Financial institutions.....	244,589	1,033	245,622	132,956	108,467	4,199	-	5,389
Related parties .....	14,714	-	14,714	3,638	2,096	2,487	6,493	27,423
	<u>1,531,286</u>	<u>(9,597)</u>	<u>1,521,689</u>	<u>725,021</u>	<u>307,051</u>	<u>351,582</u>	<u>138,035</u>	<u>146,180</u>
<b>vi) Swap with target flow</b>								
<b>Swap</b>								
Companies.....	83,400	(55,936)	27,464	9,228	2,836	9,767	5,633	-
<b>Target flow swap</b>								
Companies.....	1,048,575	478,939	1,527,514	464,050	269,682	298,692	495,090	-
Financial institutions.....	7,020	(751)	6,269	6,269	-	-	-	-
	<u>1,055,595</u>	<u>478,188</u>	<u>1,533,783</u>	<u>470,319</u>	<u>269,682</u>	<u>298,692</u>	<u>495,090</u>	<u>-</u>
<b>vii) Others</b>								
Stock Exchanges .....	-	1,372	1,372	509	12	27	824	13,887
Financial institutions.....	-	-	-	-	-	-	-	2,684
	-	1,372	1,372	509	12	27	824	16,571
<b>Arbitrage</b>								
Companies.....	1,605	-	1,605	1,605	-	-	-	19,659
Financial institutions.....	2,430,985	(48,207)	2,382,778	948,004	238,843	636,201	559,730	1,478,838
Related parties .....	746,624	(9,348)	737,276	60,537	27,972	648,767	-	1,938,479
	<u>3,179,214</u>	<u>(57,555)</u>	<u>3,121,659</u>	<u>1,010,146</u>	<u>266,815</u>	<u>1,284,968</u>	<u>559,730</u>	<u>3,436,976</u>
<b>TOTAL ASSETS.....</b>	<b><u>10,209,392</u></b>	<b><u>397,358</u></b>	<b><u>10,606,750</u></b>	<b><u>3,670,285</u></b>	<b><u>2,084,977</u></b>	<b><u>2,910,724</u></b>	<b><u>1,940,764</u></b>	<b><u>5,906,551</u></b>
TOTAL - December 31, 2007.....	5,924,531	(17,980)	5,906,551	1,689,077	1,051,347	1,838,368	1,327,759	

## NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007

All amounts in thousands of reais, unless otherwise indicated

(continued)

								2008	2007
	Cost	Adjustment to market value (in results)	Market value	Due up to three months	Due from three to six months	Due from six to 12 months	Due after 12 months	Market value	
<b>LIABILITIES</b>									
<b>i) Swap contracts</b>									
Companies.....	(701,958)	51,967	(649,991)	(361,475)	(37,076)	(197,057)	(54,383)	(586,086)	
Stock Exchanges.....	(405,454)	30,128	(375,326)	(88,440)	(23,961)	(14,086)	(248,839)	(194,798)	
Financial institutions.....	(225,230)	(487)	(225,717)	(130,815)	(92,924)	(148)	(1,830)	(165,630)	
Related parties.....	(4,366,149)	18,032	(4,348,117)	(1,608,139)	(779,511)	(808,729)	(1,151,738)	(904,066)	
Individuals.....	(202)	4	(198)	(198)	-	-	-	-	
	(5,698,993)	99,644	(5,599,349)	(2,189,067)	(933,472)	(1,020,020)	(1,456,790)	(1,850,580)	
<b>ii) Futures contracts</b>									
Stock Exchanges.....	-	(40,631)	(40,631)	(7,969)	(899)	(18,887)	(12,876)	(37,602)	
<b>iii) Option contracts</b>									
Companies.....	(246,502)	(3,217)	(249,719)	(173,537)	(35,712)	(30,158)	(10,312)	(4,560)	
Stock Exchanges.....	(329,607)	(499,701)	(829,308)	(289,121)	(160,838)	(237,739)	(141,610)	(67,402)	
Financial institutions.....	(90,136)	(213,438)	(303,574)	(141,750)	(23,323)	(105,416)	(33,085)	(46,830)	
	(666,245)	(716,356)	(1,382,601)	(604,408)	(219,873)	(373,313)	(185,007)	(118,792)	
<b>iv) Credit derivatives</b>									
Financial institutions.....	(100,831)	(52,246)	(153,077)	(27,645)	(125,432)	-	-	(41,319)	
Related parties.....	-	-	-	-	-	-	-	(80)	
	(100,831)	(52,246)	(153,077)	(27,645)	(125,432)	-	-	(41,399)	
<b>v) Forward operations</b>									
Companies.....	(366,585)	10,338	(356,247)	(209,251)	(84,553)	(56,632)	(5,811)	(458,893)	
Financial institutions.....	(93,054)	1,775	(91,279)	(91,279)	-	-	-	(248,131)	
Related parties.....	(24,418)	-	(24,418)	(19,596)	(1,703)	(2,430)	(689)	(2,057)	
	(484,057)	12,113	(471,944)	(320,126)	(86,256)	(59,062)	(6,500)	(709,081)	
<b>vi) Swap with target flow</b>									
<b>Swap</b>									
Companies.....	(113,681)	(31,435)	(145,116)	(129,696)	-	(1,997)	(13,423)	-	
Financial institutions.....	(152,401)	152,279	(122)	(122)	-	-	-	-	
	(266,082)	120,844	(145,238)	(129,818)	-	(1,997)	(13,423)	-	
<b>Target flow swap</b>									
Companies.....	(119,368)	41,581	(77,787)	(2,563)	-	(1,062)	(74,162)	-	
Financial institutions.....	(106,253)	(273,248)	(379,501)	(90,736)	(109,266)	(103,853)	(75,646)	-	
	(225,621)	(231,667)	(457,288)	(93,299)	(109,266)	(104,915)	(149,808)	-	
<b>vii) Others</b>									
Stock Exchanges.....	-	(698)	(698)	-	(46)	(293)	(359)	-	
Financial institutions.....	-	-	-	-	-	-	-	(5,363)	
	-	(698)	(698)	-	(46)	(293)	(359)	(5,363)	
<b>Arbitrage</b>									
Companies.....	(1,540)	-	(1,540)	(1,540)	-	-	-	(18,690)	
Financial institutions.....	(2,470,544)	167,906	(2,302,638)	(956,642)	(248,931)	(583,218)	(513,847)	(1,455,589)	
Related parties.....	(630,692)	8,858	(621,834)	(64,089)	(31,965)	(525,780)	-	(1,920,280)	
	(3,102,776)	176,764	(2,926,012)	(1,022,271)	(280,896)	(1,108,998)	(513,847)	(3,394,559)	
<b>TOTAL LIABILITIES</b> .....	<b>(10,544,605)</b>	<b>(632,233)</b>	<b>(11,176,838)</b>	<b>(4,394,603)</b>	<b>(1,756,140)</b>	<b>(2,687,485)</b>	<b>(2,338,610)</b>	<b>(6,157,376)</b>	
TOTAL - December 31, 2007.....	(6,455,754)	298,378	(6,157,376)	(1,636,555)	(741,534)	(2,052,641)	(1,726,646)		

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

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c) See below the composition of derivative financial instruments portfolio by type of instrument, stated at their notional amounts, per trading location (organized or over-the-counter market):

	Swap contracts	Futures contracts	Option contracts	Credit derivatives	Forward operations	Swap with target flow	Target flow swap	Others
<b>Stock Exchanges</b>								
BM&F Bovespa .....	8,977,524	31,370,981	12,022,223	-	-	-	-	6,519,996
Stock Exchanges .....	-	966,971	154,943	-	-	-	-	-
	8,977,524	32,337,952	12,177,166	-	-	-	-	6,519,996
<b>Over-the-counter market</b>								
Companies .....	20,916,300	526	4,216,091	-	11,855,369	1,322,509	10,425,880	-
Financial institutions .....	3,904,102	-	2,495,752	3,211,748	2,205,135	217,961	749,054	-
Related parties .....	69,847,024	-	116	-	359,441	-	-	-
Individuals .....	3,433	-	-	-	-	-	-	-
	94,670,859	526	6,711,959	3,211,748	14,419,945	1,540,470	11,174,934	-
	<u>103,648,383</u>	<u>32,338,478</u>	<u>18,889,125</u>	<u>3,211,748</u>	<u>14,419,945</u>	<u>1,540,470</u>	<u>11,174,934</u>	<u>6,519,996</u>
TOTAL - December 31, 2007 .....	66,720,430	35,452,499	69,424,816	4,544,225	9,913,865	-	-	5,252,613

**d) Credit derivatives**

Itaú BBA utilizes credit derivatives for the following purposes (i) reducing or eliminating its exposure to specific risks from the assets in its balance sheet based on the concept of credit portfolio management and (ii) assuming risk positions by way of hedging purchases or sales based on the trading concept.

The transactions carried out for credit portfolio management mitigate the specific risks of the counterparty debtor, transferring these risks, totally or partially, to the institution that sells the hedge. These risks are monitored daily in view of the credit limits established for each counterparty, thus ensuring that they are properly managed. The transactions realized by the Treasury Department are controlled daily through sophisticated pricing and risk market measurement models, affecting the VaR and VaR Stress limits established by it.

The transactions can be summarized as follows:

	Credit risk amount <sup>(*)</sup>	
	2008	2007
Transferred:		
Credit swaps whose underlying assets are:		
Securities .....	(1,793,761)	(2,492,989)
Derivatives .....	-	(70,000)
Received:		
Credit swaps whose underlying assets are:		
Securities .....	971,491	1,825,236
Derivatives .....	-	140,000
Others .....	-	16,000
Total return rate swap whose underlying assets are securities .....	446,496	-
	<u>(375,774)</u>	<u>(581,753)</u>

<sup>(\*)</sup> Memorandum account

During the year, there was no occurrence of a credit event as provided for in the agreements.

According to CMN Resolution 3490/07, which became effective on July 1, 2008, the effect of the calculation of required referential equity amounts to R\$25,614.

In December 31, 2007, the effect on the calculation of the required net equity was R\$(214,110).

**e) Realized and unrealized gain of the derivative financial instruments portfolio**

	2 <sup>nd</sup> six-month period of 2008	2008	Year 2007
	Swap .....	(758,039)	(291,420)
Futures .....	783,680	544,707	(661,050)
Options .....	(1,138,464)	(842,527)	61,396
Credit derivatives .....	(22,513)	(13,192)	(63,428)
Others .....	(449,687)	(202,370)	167,503
Exchange variation - foreign branches .....	(133,426)	(94,989)	52,352
Total .....	<u>(1,718,449)</u>	<u>(899,791)</u>	<u>48,233</u>

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

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**f) Changes in adjustment to market value for the period**

	<b>2008</b>	<b>2007</b>
Opening balance .....	271,241	51,128
Adjustments with impact on:		
Result		
Trading securities .....	54,316	(42,528)
Derivative financial instruments (Assets and Liabilities) .....	(516,287)	204,421
Arbitrage (Assets and Liabilities) .....	(3,958)	123,169
	(465,929)	285,062
Stockholders' equity .....	(33,060)	(46,512)
Exchange variation - foreign branches .....	6,491	(18,437)
Closing balance .....	<u>(221,257)</u>	<u>271,241</u>
Adjustment to market value		
Trading securities .....	43,669	(9,344)
Available for sale .....	(30,051)	1,062
Derivative financial instruments (Assets and Liabilities) .....	(354,084)	156,356
Arbitrage (Assets and Liabilities) .....	119,209	123,167
	<u>(221,257)</u>	<u>271,241</u>

**g) The guarantees**

The guarantees given for derivative financial instrument transactions amounted to R\$4,037,387 (2007 - R\$1,445,235), represented by public securities.

**8. LOAN, LEASE AND OTHER CREDIT OPERATIONS AND ALLOWANCE FOR LOAN LOSSES**

Itaú BBA is a wholesale bank and, therefore, concentrates its business mainly on large Brazilian and multinational corporations; consequently, individual loans involve high amounts (an average of approximately R\$20 million (2007 - R\$15 million) per customer).

The recommended credit limits are subject to a strict formal approval process by the Credit Committees, which includes, amongst others, the President, the Vice-Presidents, the Director of Credit and the Commercial Directors, depending on the involved amounts and periods, as well as "risk ratings" of the borrowed customers. The decisions of these Credit Committees are reported to the Executive Committee, which includes the President and certain directors of Itaú BBA. The credit limits exceeding certain amounts (related to the risk rating of the economic group) are discussed and evaluated by the Superior Credit Committee (CSC) of Itaú. The CSC is the highest level responsible for credit in the Group. The approvals are valid for periods until one year, depending on the risk rating attributed to each company and/or economic group.

In accordance with CMN Resolution 2682/99, Itaú BBA classifies credit operations considering the risk involved regarding each individual debtor and/or transaction. The rating process considers the debtor and transaction quality, including aspects such as: cash flow, economic and financial position of the debtor and of the sector, level of indebtedness, management, payment history, guarantees and defaults on loans, among others.

This Resolution requires the establishment of an allowance for loan losses in an amount at least equivalent to the sum of the amounts calculated by the application of specific percentages, as detailed in item "e" of this note.

Itaú BBA management, in line with its conservative posture, has consistently recorded the allowance for loan losses in an amount higher than the minimum required by CMN Resolution 2682/99. Its main objective is to cover overall loan risks, considering factors such as: (i) the underlying characteristics of Itaú BBA transactions, especially as regards the average amount of each loan subject to risk; (ii) the trend of extending the terms of transactions, chiefly those linked to the onlending of funds from multilateral development agencies, which represents a new element in the loan environment; (iii) a certain level of uncertainty in the worldwide economic activity and market liquidity, in view of possible macroeconomic and social and political events, both in developing countries and in developed economies.

**a) Analysis of the loan portfolio by type of transaction**

	<b>2008</b>	<b>2007</b>
Credit operations:		
Loans and bills discounted .....	17,366,408	8,184,338
Financing .....	10,773,496	9,487,065
Foreign currency financing .....	2,006,115	1,038,679
Farming and agribusiness financing .....	3,051,931	2,430,014
Lease operations .....	1,731,389	-
Advances on exchange contracts <sup>(1)</sup> .....	4,712,432	1,326,031
Other operations <sup>(2)</sup> .....	117,474	34,914
	<u>39,759,245</u>	<u>22,501,041</u>

<sup>(1)</sup> Advances on exchange contracts have been reclassified from "Other liabilities - foreign exchange portfolio".

<sup>(2)</sup> Includes income receivable from advances granted, receivables for purchase of assets, and securities and credits receivable reclassified from "Other receivables".

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**b) Analysis of the loan portfolio by sector**

	<b>2008</b>	<b>2007</b>
<b>Public sector</b>		
Electrical energy generation and distribution.....	320,181	505,892
Chemical and petrochemical .....	111,956	148,447
Others .....	245,183	143,357
	<b>677,320</b>	<b>797,696</b>
<b>Private sector</b>		
<b>Company</b>		
<b>Industry and Commerce</b>		
Food and beverages .....	3,263,052	1,721,525
Autoparts and accessories .....	598,657	266,388
Agribusiness capital assets .....	265,044	183,470
Industrial capital assets .....	1,107,548	416,844
Pulp and paper .....	476,842	224,113
Distribution of fuels.....	302,898	182,365
Electrical and electronic.....	1,823,358	1,034,770
Pharmaceuticals.....	294,180	269,534
Fertilizers, insecticides and crop protection .....	1,670,379	1,037,019
Tobacco.....	295,038	268,600
Import and export.....	972,043	370,118
Hospital care materials and equipment.....	57,098	6,533
Construction material.....	456,539	258,628
Steel and metallurgy .....	3,027,043	1,243,101
Wood and furniture .....	670,821	381,831
Chemical and petrochemical .....	2,455,208	1,238,081
Supermarkets.....	158,995	3,234
Light and heavy vehicles .....	1,482,444	711,546
Clothing.....	524,638	410,737
Other - commerce.....	94,857	107,852
Other - industry.....	356,651	138,888
	<b>20,353,333</b>	<b>10,475,177</b>
<b>Services</b>		
Heavy construction (contractors).....	715,363	440,563
Financial.....	630,943	449,795
Electrical energy generation and distribution.....	2,204,298	1,736,519
Holding company .....	1,862,783	1,065,493
Real estate .....	1,261,264	1,298,725
Media .....	572,427	581,688
Service companies.....	164,501	125,369
Health care .....	105,719	76,192
Telecommunications .....	652,950	381,739
Transportation.....	1,238,217	694,594
Other services.....	1,077,795	565,206
	<b>10,486,260</b>	<b>7,415,883</b>
<b>Primary sector</b>		
Agribusiness.....	4,989,212	2,852,560
Mining .....	1,197,795	754,458
	<b>6,187,007</b>	<b>3,607,018</b>
<b>Others</b> .....	<b>28,821</b>	<b>205,267</b>
	<b>37,055,421</b>	<b>21,703,345</b>
<b>Individual</b>		
Vehicles .....	1,645,339	-
Consumer loans/overdraft .....	381,165	-
	<b>2,026,504</b>	-
	<b>39,081,925</b>	<b>21,703,345</b>
	<b>39,759,245</b>	<b>22,501,041</b>

**c) Credit risk concentration**

	<b>2008</b>	<b>2007</b>
Largest debtor.....	1,114,216	1,362,314
Percentage of the total loan portfolio.....	2.80%	6.05%
20 largest debtors .....	9,595,989	6,965,616
Percentage of the total loan portfolio.....	24.14%	30.96%

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**d) Analysis of the loan portfolio by maturity**

	2008			2007		
	Outstanding			Outstanding		
	Abnormal <sup>(1)</sup>	Normal	Total	Abnormal <sup>(1)</sup>	Normal	Total
Falling due installments:						
1 to 30 days .....	10,007	4,842,553	4,852,560	515	4,045,913	4,046,428
31 to 60 .....	4,924	3,420,294	3,425,218	515	1,362,281	1,362,796
61 to 90 .....	4,580	2,858,034	2,862,614	545	1,381,222	1,381,767
91 to 180 .....	16,710	6,889,887	6,906,597	2,515	4,006,298	4,008,813
181 to 365 .....	23,591	6,756,246	6,779,837	10,111	3,980,202	3,990,313
Over 365 .....	67,389	14,427,556	14,494,945	5,216	7,526,904	7,532,120
	127,201	39,194,570	39,321,771	19,417	22,302,820	22,322,237
Overdue installments:						
1 to 14 days .....	2,741	83,765	86,506	676	121,453	122,129
15 to 30 .....	267,450	-	267,450	5,929	-	5,929
31 to 60 .....	47,505	-	47,505	1,913	-	1,913
61 to 90 .....	22,187	-	22,187	8,256	-	8,256
91 to 180 .....	13,606	-	13,606	40,535	-	40,535
181 to 365 .....	220	-	220	42	-	42
	353,709	83,765	437,474	57,351	121,453	178,804
	480,910	39,278,335	39,759,245	76,768	22,424,273	22,501,041

<sup>(1)</sup> Outstanding abnormal credits with installments overdue for more than 14 days.**e) Allowance for loan losses**

Risk level	Credit portfolio		Percentage of provision <sup>(*)</sup>	Allowance for loan losses based on the minimum required percentage		Allowance for loan losses recorded	
	Balance			2008	2007	2008	2007
	2008	2007					
AA	19,019,208	10,725,235	-	-	-	(1,327,194)	(52,538)
A	14,562,004	9,217,782	0.5%	(72,810)	(46,089)	(144,164)	(91,256)
B	4,421,523	2,394,965	1.0%	(44,215)	(23,949)	(132,203)	(71,609)
C	1,289,740	81,576	3.0%	(38,692)	(2,447)	(128,845)	(8,149)
D	392,816	12,600	10.0%	(39,282)	(1,260)	(117,805)	(3,779)
E	19,583	48,213	30.0%	(5,875)	(14,464)	(9,790)	(24,102)
F	3,112	-	50.0%	(1,556)	-	(2,178)	-
G	152	-	70.0%	(106)	-	(152)	-
H	51,107	20,670	100.0%	(51,107)	(20,670)	(51,107)	(20,670)
	39,759,245	22,501,041		(253,643)	(108,879)	(1,913,438)	(272,103)

<sup>(\*)</sup> Minimum percentage provision required by CMN Resolution 2682/99 per risk level.**f) Analysis of present value of the Leased operations**

	2008	2007
Lease receivable and guaranteed residual value .....	3,262,814	-
Unearned income from lease and residual value to be compensated .....	(3,191,237)	-
Other assets - reintegrated goods .....	1,500	-
Leased assets		
Leased assets		
Vehicles and similar .....	2,319,344	-
	2,319,344	-
Accumulated depreciation .....		
(-) Accumulated depreciation .....	(274,444)	-
Excess of depreciation .....	332,592	-
	58,148	-
	2,377,492	-
Creditors for advance of residual values .....	(719,180)	-
Total .....	1,731,389	-

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

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**g) Changes in allowance for loan losses**

	<b>2<sup>nd</sup> six-month period of 2008</b>	<b>2008</b>	<b>Year 2007</b>
Balance at the beginning of the six-month period/year .....	(324,563)	(272,103)	(278,883)
Provision recorded.....	(1,644,317)	(1,701,786)	(31,006)
Exchange variation on the allowances of the foreign branches .....	5,346	4,584	1,269
Loans written off.....	50,096	55,867	36,517
Balance at the end of the six-month period/year .....	<u>(1,913,438)</u>	<u>(1,913,438)</u>	<u>(272,103)</u>

Historically Itaú BBA recognized an additional provision based on the view that the level of provision has the required soundness to absorb possible increases in default foreseen in historic scenarios of losses incurred. In the period, taking into account the economic scenario and the uncertainties associated thereto, the criteria for recognition of an additional provision for credit risks were reviewed, by incorporating a portion related to risks associated to a more pessimistic scenario for the 2009/2010 period, not yet fully covered by the historic scenarios noted in the recent past.

	<b>2<sup>nd</sup> six-month period of 2008</b>	<b>2008</b>	<b>Year 2007</b>
<b>h) Recoveries of loans previously written off .....</b>	532	11,821	1,644

	<b>2<sup>nd</sup> six-month period of 2008</b>	<b>2008</b>	<b>Year 2007</b>
<b>i) Renegotiated loans.....</b>	-	-	70

**j) Restricted credit operations**

The credit operations which are linked to funding, in accordance with CMN Resolution 2921/02, can be summarized as follows:

	<b>Assets</b>		<b>Liabilities</b>		<b>Income/(expenses)</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2<sup>nd</sup> six-month period of 2008</b>	<b>Year 2007</b>
Loans .....	4,367	-	-	-	106	(12,188)
Financing .....	346,093	286,479	-	-	121,704	(38,808)
Farming and agribusiness financing.....	-	-	-	-	-	1,093
Time deposits.....	-	-	4,371	-	(97)	(1,683)
Issue of securities abroad .....	-	-	247,792	187,791	(83,759)	46,682
Foreign borrowings .....	-	-	98,275	98,545	(37,888)	5,495
Total.....	<u>350,460</u>	<u>286,479</u>	<u>350,438</u>	<u>286,336</u>	<u>66</u>	<u>591</u>

At December 31, 2008, there were no operations in default.

**k) Assignment of credit without recourse**

In 2008, in accordance with CMN Resolution 2836/01, credit assignments without recourse were carried out in the amount of R\$470,151 (2007 - R\$538,671), for which the book value of the credits amounted to R\$470,268 (2007 - R\$537,617). The effect resulting from these transactions on stockholders' equity and on results, net of income tax, was R\$78 (2007 - R\$696).

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

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**9. FOREIGN EXCHANGE PORTFOLIO**

The foreign exchange portfolio is represented by:

	<b>2008</b>	<b>2007</b>
<b>Assets - Other receivables</b>		
Foreign exchange purchases pending settlement .....	6,052,837	1,901,151
Foreign exchange purchases pending settlement - Arbitrage .....	3,121,659	3,436,976
Foreign currency bills of exchange and term documents.....	-	107
Rights on foreign exchange sales .....	3,053,032	4,245,431
(-) Advances received .....	(167,903)	(71,653)
	<u>12,059,625</u>	<u>9,512,012</u>
<b>Liabilities – Other liabilities</b>		
Foreign exchange sales pending settlement .....	1,338,799	989,607
Foreign exchange sales pending settlement - Arbitrage .....	2,926,012	3,394,559
Liabilities for purchases of foreign exchange.....	6,869,197	5,198,517
Other.....	532	1,093
	<u>11,134,540</u>	<u>9,583,776</u>
<b>Memorandum accounts</b>		
Outstanding import credits .....	101,029	160,001
Confirmed export credits.....	19,198	25,890
	<u>120,227</u>	<u>185,891</u>

**10. NEGOTIATION AND INTERMEDIATION OF SECURITIES**

	<b>2008</b>		<b>2007</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Accounts receivable and payable on sale and purchase of assets.....	202,609	640,549	59,728	141,039
Contracts for loan of securities .....	-	1,968	-	-
Margin deposits .....	512,208	-	327,159	-
Other.....	381	383	-	-
	<u>715,198</u>	<u>642,900</u>	<u>386,887</u>	<u>141,039</u>

**11. PERMANENT ASSETS****a) Investments recorded on the equity method of accounting**

The principal information on the investments of Itaú BBA in subsidiaries is as follows:

	<b>Capital - number of shares held</b>		<b>Percentage ownership %</b>		<b>Net income/(loss) for the year</b>		<b>Stockholders' equity</b>		<b>Book value of the investments</b>		<b>Equity in earnings (loss)</b>		
											<b>2<sup>nd</sup> six- month period of</b>		
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
Itaú BBA Trading S.A. (i) ....	3,078,040,844	3,078,040,844	100.00	100.00	10,836	(1,910)	45,624	34,788	45,624	34,788	11,625	10,836	(1,910)
Puerto Cia Securitizadora de Créditos Financeiros..	178,687,269	178,687,269	99.99	99.99	533	1,837	15,373	14,840	15,373	14,840	305	533	1,837
Itaú BBA Securitizadora S.A. (ii) .....	-	-	-	-	-	-	-	-	-	-	-	-	76
Delle Holdings S.A. (iii) .....	6,454,953	6,157,525	42.14	35.15	20,059	(2,622)	82,848	60,036	66,771	55,110(iii)	5,603	12,682	5,212
Banco Itaú Argentina S.A. (iv)	1,482,244	1,482,244	1.00	1.00	20,623	6,008	246,528	181,651	2,465	1,817	731	646	49
Estruturadora Brasileira de Projetos S.A. EBP (v) .....	888,945	-	11.11	-	(755)	-	7,245	-	805	-	(45)	(84)	-
									<u>131,038</u>	<u>106,555</u>	<u>18,219</u>	<u>24,613</u>	<u>5,264</u>

The indirect subsidiaries of Itaú BBA, through Itaú BBA Trading S.A., the net income of which mainly arises from the equity in the earnings of subsidiaries, are the following: Nevada Woods S.A., IF Participações Ltda., Karen International Ltd., Mundostar S.A. and Peroba Ltd.

(i) See Note 18I.

(ii) This company was extinguished, by dissolution, on May 31, 2007.

(iii) Includes goodwill on the purchase of investments of R\$31,857 (2007 - R\$34,009).

(iv) As from November, 2007, new company's name of Banco Itaú Buen Ayre S.A., approved by BACEN on July 24, 2008.

(v) As from March, 2008.

## NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007

All amounts in thousands of reais, unless otherwise indicated

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	Balance at 12/31/2007			Changes				Balance at 12/31/2008		
	Cost	Accumulated depreciation	Net	Purchases	Disposals	Depreciation and amortization expense (Note 18f)	Others (Note 18h)	Cost	Accumulated depreciation	Net
<b>b) Fixed assets</b>										
Properties for own use <sup>(i)</sup>										
Land.....	1,268	-	1,268	-	-	-	-	1,268	-	1,268
Buildings.....	3,690	(1,872)	1,818	-	-	(184)	-	3,690	(2,056)	1,634
Improvements.....	7,354	(3,168)	4,186	876	(3)	(963)	-	8,106	(4,010)	4,096
	12,312	(5,040)	7,272	876	(3)	(1,147)	-	13,064	(6,066)	6,998
Other fixed assets for own use										
Installations.....	11,129	(4,033)	7,096	484	(3)	(1,121)	-	11,586	(5,130)	6,456
Furniture and equipment.....	7,200	(5,145)	2,055	1,561	(22)	(591)	4,071	13,048	(5,974)	7,074
Communication system.....	9,222	(4,412)	4,810	2,267	(7)	(885)	1,126	12,555	(5,244)	7,311
Data processing system.....	26,486	(20,343)	6,143	5,852	(9)	(2,974)	2,478	34,714	(23,224)	11,490
Security system.....	752	(386)	366	47	(3)	(72)	121	929	(470)	459
Transport system.....	245	(245)	-	150	-	(27)	-	395	(272)	123
	55,034	(34,564)	20,470	10,361	(44)	(5,670)	7,796	73,227	(40,314)	32,913
	67,346	(39,604)	27,742	11,237	(47)	(6,817)	7,796	86,291	(46,380)	39,911
<b>c) Intangible assets</b>										
Goodwill on the purchase of investments <sup>(ii)</sup>										
	760,905	(171,650)	589,255	-	-	(135,982)	-	760,905	(307,632)	453,273
Total - (b + c).....	828,251	(211,254)	616,997	11,237	(47)	(142,799)	7,796	847,196	(354,012)	493,184
<b>Balance at 12/31/2006</b>										
<b>Changes</b>										
<b>Balance at 12/31/2007</b>										
	Cost	Accumulated depreciation	Net	Purchases	Disposals	Depreciation and amortization expense (Note 18f)	Others	Cost	Accumulated depreciation	Net
<b>b) Fixed assets</b>										
Properties for own use <sup>(i)</sup>										
Land.....	2,536	-	2,536	-	(1,268)	-	-	1,268	-	1,268
Buildings.....	8,177	(4,437)	3,740	-	(1,533)	(389)	-	3,690	(1,872)	1,818
Improvements.....	7,245	(2,251)	4,994	110	-	(918)	-	7,354	(3,168)	4,186
	17,958	(6,688)	11,270	110	(2,801)	(1,307)	-	12,312	(5,040)	7,272
Other fixed assets for own use.....										
Installations.....	10,239	(3,081)	7,158	1,058	(72)	(1,048)	-	11,129	(4,033)	7,096
Furniture and equipment.....	6,588	(4,383)	2,205	1,063	(22)	(1,191)	-	7,200	(5,145)	2,055
Communication system.....	7,645	(3,576)	4,069	1,951	(4)	(1,206)	-	9,222	(4,412)	4,810
Data processing system.....	24,318	(18,441)	5,877	4,515	(40)	(4,209)	-	26,486	(20,343)	6,143
Security system.....	738	(297)	441	25	(1)	(99)	-	752	(386)	366
Transport system.....	245	(245)	-	-	-	-	-	245	(245)	-
	49,773	(30,023)	19,750	8,612	(139)	(7,753)	-	55,034	(34,564)	20,470
	67,731	(36,711)	31,020	8,722	(2,940)	(9,060)	-	67,346	(39,604)	27,742
<b>c) Intangible assets</b>										
Goodwill on the purchase of investments <sup>(ii)</sup>										
	-	-	-	725,237	-	(135,982)	-	760,905	(171,650)	589,255
Total - (b + c).....	67,731	(36,711)	31,020	733,959	(2,940)	(145,042)	-	828,251	(211,254)	616,997

<sup>(i)</sup> Includes assets given in guarantee of lawsuits (Note 18I).<sup>(ii)</sup> Transferred goodwill of the investment for the incorporation of Banco Itaú S.A. in January 31, 2007, which is being amortized over 64 months, was classified as deferred assets.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

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**12. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS - TAX AND SOCIAL SECURITY**

Itaú BBA is involved in contingencies in the ordinary course of business, as follows:

**a) Contingent Assets:** There are no contingent assets recorded.**b) Contingent Liabilities considered as:****i - Probable loss** - The changes in the provisions for contingent liabilities, can be summarized as follows:

	2 <sup>nd</sup> six-month period of 2008			2008			Year 2007
	Civil	Labor	Total	Civil	Labor	Total	Total
Opening balance .....	53,794	3,795	57,589	49,836	7,716	57,552	51,164
Changes in the period reflected in results:							
Restatements/charges.....	3,507	(1,756)	1,751	7,197	(1,207)	5,990	6,062
Increase .....	930	6,712	7,642	2,685	6,712	9,397	505
Reversals .....	-	(560)	(560)	(1,167)	(3,170)	(4,337)	(38)
	4,437	4,396	8,833	8,715	2,335	11,050	6,529
Payments .....	(212)	(266)	(478)	(532)	(2,126)	(2,658)	(141)
Closing balance (Note 18b).....	58,019	7,925	65,944	58,019	7,925	65,944	57,552

**ii - Possible loss** - represented by civil lawsuits amounting to R\$6,067 (2007 - R\$378), labor lawsuits amounting to R\$21,959 (2007 - R\$7,747) and tax and social security amounting to R\$123,321 (2007 - nil).**c) Legal Obligations - Tax and Social Security** - represented by amounts payable relating to tax liabilities, the legality or constitutionality of which is subject to administrative or judicial challenge. They are recognized at the full amount under discussion. The changes can be summarized as follows:

	2 <sup>nd</sup> six-month period of 2008	2008	Year 2007
	Opening balance .....	728,820	638,624
Changes in the period reflected in results:			
Restatements/charges.....	28,190	47,790	33,589
Increase .....	16,952	87,548	103,186
Reversals .....	-	-	(2,628)
	45,142	135,338	134,147
Closing balance (Note 18c).....	773,962	773,962	638,624

The escrow deposits on litigation (Note 18a) amount to R\$571,471 (2007 - R\$514,298).

The main natures of processes are described as follows:

- Profit earned abroad - IRPJ and CSLL - R\$405,718 - Aimed at rejecting the requirement set forth by in article 25 of Law 9249/95 and paragraph 9, of article 2 of Regulatory Instruction 38/96, that deal with the taxation of profit earned abroad, as being unconstitutional. The corresponding escrow deposit totals R\$164,652.
- PIS and COFINS - Law 9718/98 - R\$293,102 - Assert in the right of paying contributions to PIS and COFINS based on revenue, without adopting the provisions of Article 3, paragraph 1, of Law 9718/98, which established the extension of the calculation bases of these contributions.
- IRPJ - Article 8 of Law 8541/92 - R\$40,165 - Illegality of articles 7 and 8 of Law 8541/92, which had conditioned the deduction of the tributes and contributions on their effective payment (cash basis), considering improper deduction of tributes, including monetary correction, for which payment has been suspended by a judicial measure. The corresponding escrow deposit totals R\$38,587.
- PIS - Constitutional Amendment 17/97 - R\$17,095 - Aimed at rejecting the levy of PIS over the period, from the end of the term enforced by Constitutional Amendment 10/96 and the restart of its enforcement, with the enactment of Constitutional Amendment 17/97, based on principles of minimum advance not of 90 days without retroactivity with respect to tax laws and inexistence of legislation for this interim period. Also, aimed at paying PIS during the mentioned period based on Supplementary Law 7/70.

According to the opinion of the legal advisors, Itaú BBA is not involved in any administrative proceedings or lawsuits that may significantly affect the results of its operations. The combined evaluation of all existing provisions for all contingent liabilities and legal obligations, which are recorded based on the analysis of internal and external legal advisors, showed that the amounts provided for are sufficient, according to CMN Resolution 3535/08.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

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**13. INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME****a) Calculation of the income tax and social contribution expense**

	<b>2<sup>nd</sup> six-month period of 2008</b>	<b>2008</b>	<b>Year 2007</b>
Profit before taxation and profit sharing .....	(1,749,773)	(625,560)	1,470,969
Income tax and social contribution calculated at 25% and 9%, respectively (Note 3n) .....	(594,923)	(212,690)	500,129
Effects of permanent and temporary additions or (exclusions) in the tax calculation:			
(i) Exchange variation on foreign investments .....	(519,757)	(395,925)	176,737
(ii) Equity in the earnings of subsidiaries .....	(6,194)	(8,368)	(1,790)
(iii) Interest on own capital .....	(63,410)	(125,120)	(94,013)
(iv) Dividends, interest and tax incentives .....	(131,222)	(217,643)	(155,956)
(v) Other net exclusions, net of other additions .....	(17,508)	(39,755)	(37,551)
(vi) Effect of the increase in the social contribution rate (Note 3n) .....	(189,286)	(184,784)	-
Income tax and social contribution on net income .....	<u>(1,522,300)</u>	<u>(1,184,285)</u>	<u>387,556</u>

**b) Origin and changes in tax credits and deferred tax liabilities**

	<b>December 2007</b>	<b>Realization/ Reversal</b>	<b>Increase</b>	<b>December 2008</b>
Allowance for loan losses .....	101,649	(88,456)	740,541	753,734
Other temporarily non-deductible provisions .....	119,756	(18,063)	119,991	221,684
Social contribution to be offset (Provisional Measure 2158-35) .....	5,142	(66)	-	5,076
Adjustments to market value - securities and derivative financial instruments .....	5,160	(4,141)	11,744	12,763
Tax losses and social contribution losses carryforwards .....	-	-	478,899	478,899
Total tax credits (Note 18a) .....	231,707	(110,726)	1,351,175	1,472,156
Deferred tax liabilities (Note 18c) .....	(127,088)	116,399	(152,962)	(163,651)
Tax credits, net of deferred tax liabilities .....	<u>104,619</u>	<u>5,673</u>	<u>1,198,213</u>	<u>1,308,505</u>

The tax credits and deferred tax liabilities are calculated at the enacted tax rates on the balance sheet dates and the increase in the social contribution tax rate (Note 3n), in the amount of R\$8,695.

**c) Expectation of realization of the tax credits**

The estimated timing of realization and present value of the deferred income tax and social contribution arising from Provisional Measure 2158-35, existing at December 31, 2008, in accordance with the expected generation of future taxable income based on technical studies, follows:

<b>Expected realization</b>	<b>Temporary differences</b>	<b>Social contribution to be offset (PM 2158-35)</b>	<b>Total</b>
2009 .....	286,294	-	286,294
2010 .....	556,938	4,319	561,257
2011 .....	87,451	757	88,208
2012 .....	105,532	-	105,532
2013 .....	143,385	-	143,385
2014 to 2018 .....	287,480	-	287,480
Total .....	<u>1,467,080</u>	<u>5,076</u>	<u>1,472,156</u>
Present value <sup>(*)</sup> .....	<u>1,150,731</u>	<u>4,349</u>	<u>1,155,080</u>

<sup>(\*)</sup>The present value of the tax credits was calculated based on the yield curve of fixed interest rates in reais, considering the realizations within each period, net of tax effects.

The projections of future taxable income include estimates relating to macroeconomic variables, foreign exchange rates, interest rates, etc., and could differ in relation to actual data and amounts.

Net income is not directly related to taxable income for income tax and social contribution calculation purposes, mainly because of differences between accounting practices and tax legislation, as well as corporate aspects.

Accordingly, the realization of the tax credits arising from temporary differences should not be taken as being indicative of future net income.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

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**14. FOREIGN BRANCHES**

Itaú BBA carries out transactions through its branches in Nassau, Bahamas and in Montevideo, Uruguay. The balance sheets and statements of income accounts of these branches, consolidated with those of Itaú BBA, after eliminations of intercompany assets, liabilities, income and expenses, are summarized as follows:

	<b>2008</b>	<b>2007</b>
Current assets and long-term receivables.....	16,720,397	5,808,656
Permanent assets.....	82	79
Current and long-term liabilities.....	21,592,068	12,272,619
Deferred income.....	1,168	2,812
Net income for the 2 <sup>nd</sup> six-month period.....	(486,828)	(277,548)
Net income for the year.....	(727,445)	(317,422)

The financial statements of the Bahamas and Uruguay branches of Itaú BBA were originally prepared in local currency in accordance with International Financial Reporting Standards and show no differences in relation to accounting practices adopted in Brazil. These financial statements were translated into Brazilian reais at the foreign exchange rates prevailing on the closing dates. The gains/losses in Brazilian reais arising from the translation of these financial statements into Brazilian reais were allocated to the following accounts:

<b>Accounts</b>	<b>2<sup>nd</sup> six-month</b>	<b>Year</b>	
	<b>period of 2008</b>	<b>2008</b>	<b>2007</b>
Credit operations.....	1,928,881	1,536,330	(470,078)
Securities.....	1,655,275	1,248,179	(1,406,093)
Derivative financial instruments.....	(133,426)	(94,989)	52,352
Foreign exchange.....	(13,037)	(13,037)	-
Funds obtained in the market.....	(817,334)	(714,056)	803,657
Borrowings, credit assignments and onlendings.....	(1,005,198)	(715,165)	484,124
Allowance for loan losses.....	(16,738)	(13,233)	3,999
Commissions and fees.....	1,611	1,267	(463)
Personnel expenses.....	(5)	(5)	2
Other administrative expenses.....	(203)	(179)	53
Other operating income.....	(502)	-	12,633
Other operating expenses.....	(70,627)	(70,627)	-
	<u>1,528,697</u>	<u>1,164,485</u>	<u>(519,814)</u>

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

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**15. LONG-TERM LIABILITIES**

These liabilities are principally represented by: (a) interbank deposits, time deposits and securities sold under repurchase agreements with remuneration predominantly in floating interest rates; (b) local onlendings from Brazilian government institutions (mainly, BNDES and FINAME); and (c) issue of securities abroad and foreign borrowings, at rates ranging from 2.31% to 8.29% per annum plus income tax withholding, when applicable.

The maturity dates of these liabilities can be summarized as follows:

	<b>2008</b>						
			<b>Securities sold under repurchase agreements</b>	<b>Real estate notes, mortgages, of credits, similar and Debentures</b>		<b>Local onlendings from official institutions</b>	<b>Issue of securities abroad and foreign borrowings</b>
<b>Due up to</b>	<b>Interbank deposits</b>	<b>Time deposits</b>			<b>Interbank onlendings</b>		
12/31/2010.....	11,878,504	5,458,297	1,709,498	13,485	9,324	1,009,314	263,346
12/31/2011.....	2,846,327	391,284	552,400	-	-	734,146	1,331,520
12/31/2012.....	1,168,310	230,100	163,600	-	-	608,499	597,612
12/31/2013.....	1,385,731	393,153	145,453	-	-	428,145	131,044
12/31/2014 to 12/31/2015 .....	1,333,831	11,345	494,835	3,240	-	551,903	4,988
After 12/31/2015 .....	11,940,000	-	665,604	-	-	352,284	8,730
	<u>30,552,703</u>	<u>6,484,179</u>	<u>3,731,390</u>	<u>16,725</u>	<u>9,324</u>	<u>3,684,291</u>	<u>2,337,240</u>

	<b>2007</b>						
			<b>Securities sold under repurchase agreements</b>	<b>Real estate notes, mortgages, of credits, similar and Debentures</b>		<b>Local onlendings from official institutions</b>	<b>Issue of securities abroad and foreign borrowings</b>
<b>Due up to</b>	<b>Interbank deposits</b>	<b>Time deposits</b>			<b>Interbank onlendings</b>		
12/31/2009.....	6,524,475	472,414	4,537,051	104,902	209	617,422	1,187,789
12/31/2010.....	3,507,183	356,655	172,939	-	36,212	521,160	70,413
12/31/2011.....	1,816,184	185,849	-	-	-	419,723	80,380
12/31/2012.....	367,853	127,927	6,239	-	-	306,032	492,877
12/31/2013.....	406,400	88,565	-	-	-	193,495	46,157
12/31/2014 to 12/31/2015 .....	819,774	-	-	-	-	261,417	193
After 12/31/2015 .....	12,330,275	-	-	-	-	128,317	338
	<u>25,772,144</u>	<u>1,231,410</u>	<u>4,716,229</u>	<u>104,902</u>	<u>36,421</u>	<u>2,447,566</u>	<u>1,878,147</u>

**16. STOCKHOLDERS' EQUITY****a) Capital**

The capital of Itaú BBA comprises 10,569,052 (2007 - 10,569,052) nominative shares with no par value, equally distributed among common and preferred shares and held by local residents.

**b) Dividends and interest on own capital**

The corporate bylaws establish a minimum mandatory distribution of 25% of net income for the year through dividends or interest on own capital, as adjusted in accordance with the requirements of Brazilian corporate legislation. The preferred shares have no voting rights but have priority in the reimbursement of capital in the event of liquidation, and rank equally with the common shares in all other aspects.

**17. GUARANTEES TO THIRD PARTIES**

Guarantees to third parties amount to R\$10,186,889 (2007 - R\$7,946,313), represented by guarantees, sureties and other co-obligations.

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**18. OTHER INFORMATION**

	<u>2008</u>	<u>2007</u>	
<b>a) Other receivables - sundry:</b>			
Deferred income tax and contributions (Note 13b) .....	1,472,156	231,707	
Escrow deposits on litigation:			
Linked to tax litigation (Note 12c) .....	571,471	514,298	
Others .....	2,678	1,595	
Taxes and contributions for offset .....	264,703	1,185	
Amounts receivable from related companies (Note 19) .....	6,930	6,930	
Operations without credit granting characteristics:			
Securities and credits receivable .....	177,810	-	
(-) Allowance for other loan losses .....	(59,142)	-	
Others .....	28,106	31,131	
	<u>2,464,712</u>	<u>786,846</u>	
<b>b) Other liabilities - sundry:</b>			
Accrued liabilities .....	29,245	23,520	
Provision for contingent liabilities (Note 12b) .....	65,944	57,552	
Accounts payable - local onlendings - Finame .....	17,366	24,082	
Accounts payable to related companies .....	2,377	-	
Others .....	51,490	54,589	
	<u>166,422</u>	<u>159,743</u>	
<b>c) Taxes and social security contributions payable:</b>			
Taxes and contributions on profits .....	621	56,617	
Taxes and contributions payable .....	106,303	69,948	
Provision for deferred taxes and contributions (Note 13b) .....	163,651	127,088	
Legal liabilities - taxes and social security contributions (Note 12c) .....	773,962	638,624	
	<u>1,044,537</u>	<u>892,277</u>	
	<b>2<sup>nd</sup> six-month</b>	<b>Year</b>	
	<b>period of 2008</b>	<b>2008</b>	
<b>d) Banking service fees: (*)</b>			
Income from economic and financial advisory .....	35,455	76,504	131,739
Income from brokerage .....	27,076	73,084	115,303
Loan operations and guarantees provided .....	74,182	124,038	67,647
Collection fees .....	28,790	53,399	36,806
Foreign exchange services .....	2,124	4,261	13,575
Other services .....	11,669	18,814	13,657
	<u>179,296</u>	<u>350,100</u>	<u>378,727</u>
<b>e) Personnel expenses:</b>			
Compensation .....	(137,831)	(228,244)	(150,861)
Welfare charges .....	(40,474)	(69,751)	(46,474)
Welfare benefits .....	(12,994)	(24,173)	(19,727)
	<u>(191,299)</u>	<u>(322,168)</u>	<u>(217,062)</u>

(\*) Includes service fees from special and differentiated services, in accordance with articles 4 and 5 of CMN Resolution 3518/07. The fees for priority services are now disclosed under the heading income from bank charges, in accordance with BACEN Circular letter 3324/08, with the reclassification of the corresponding accounts for the period January 1, 2007 to December 31, 2007.

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	<b>2<sup>nd</sup> six-month period of 2008</b>	<b>2008</b>	<b>Year 2007</b>
<b>f) Other administrative expenses:</b>			
Depreciation and amortization (Notes 11b and 11c) .....	(71,898)	(142,799)	(145,042)
Financial system services .....	(43,572)	(77,292)	(74,828)
Data processing and telecommunications .....	(24,144)	(43,629)	(33,275)
Third-party services.....	(45,506)	(67,360)	(27,587)
Facilities .....	(15,602)	(29,522)	(24,596)
Advertising, promotions and publications.....	(2,644)	(4,214)	(4,344)
Other.....	(14,778)	(26,571)	(26,399)
	<u>(218,144)</u>	<u>(391,387)</u>	<u>(336,071)</u>
<b>g) Composition of tax expenses:</b>			
COFINS.....	(9,247)	(83,161)	(111,263)
PIS.....	(1,542)	(13,573)	(18,137)
ISS.....	(9,331)	(18,096)	(18,877)
CPMF <sup>(*)</sup> .....	-	-	(10,072)
Other.....	(8,052)	(15,261)	(4,581)
	<u>(28,172)</u>	<u>(130,091)</u>	<u>(162,930)</u>
<i>(*) As from January 1, 2008, as determined by law, the withholding and payment of this contribution were ended.</i>			
<b>h) Other operating income:</b>			
Exchange gains - foreign branches .....	(502)	-	12,633
Reversal of the provision for depreciation in excess of it assets and equipment (Note 11b).....	7,796	7,796	-
Income tax recoverable of the foreign branches .....	57,676	102,118	25,640
Charges and expenses recovered .....	6,170	8,082	2,302
Income on transactions of foreign branches.....	7,072	11,740	17,610
Other.....	1,791	2,836	3,344
	<u>80,003</u>	<u>132,572</u>	<u>61,529</u>
<b>i) Other operating expenses:</b>			
Exchange losses - foreign branches .....	(70,627)	(70,627)	-
Goodwill amortization .....	(1,862)	(3,686)	(1,524)
Commission and financial intermediation expenses.....	(5,840)	(8,057)	(7,373)
Provision for contingent - Civil (Note 12b).....	(4,437)	(8,715)	(5,520)
Expenses on export and import transactions and others related to foreign trade.....	(7,710)	(16,048)	(7,666)
Other.....	(4,430)	(7,967)	(1,411)
	<u>(94,906)</u>	<u>(115,100)</u>	<u>(23,494)</u>

**j)** Non-operating income and expenses, net, refers basically to disposal of investments in BM&F Bovespa R\$20,597 (2007 - R\$214,356).

**k)** The assets given as guarantee totaled R\$5,660,581 (2007 - R\$3,647,742), and were represented by: (i) Securities R\$4,691,488 (2007 - R\$3,269,570); (ii) Investments in the open market R\$411,252 (2007 - R\$16,214); (iii) Margin deposits R\$512,208 (2007 - R\$1,844,562); and (iv) other assets R\$45,633 (2007 - R\$34,799). Of these amounts, R\$3,720,118 (2007 - R\$1,844,562) were given as guarantee of operations in the BM&F BOVESPA. In accordance with CMN Resolution 3622/08, guarantees consisting of operations of advances on exchange contract (ACC) amountly to R\$1,343,315, were offered to the Brazilian Central Bank.

**l)** With respect to administrative proceedings filed by Bank (in accordance with article 32 of Law 10522/02), the Bank has enrolled permanent assets totaling R\$45,633 as guarantees (2007 - R\$34,799), represented by properties for own use of R\$10 (2007 - R\$11) and investments (shares) of R\$45,623 (2007 - R\$34,788). As a result of the unconstitutionality lawsuit 1976, the Federal Supreme Court declared unconstitutional the requirement of enrolling assets for considering voluntary appeals on April 10, 2007. Itaú BBA is requesting the cancellation of the enrollment of assets to the Federal Revenue Service.

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- m)** In accordance with CMN Resolution 3198/04, Banco Itaú BBA S.A. adopted to the single Audit Committee formed by the Itaú Financial Group, through the leading institution Itaú Unibanco Banco Múltiplo S.A. (formerly Banco Itaú Holding Financeira S.A.). A summary of the Committee's report will be disclosed together with the financial statements of the leading institution on February 25, 2009.
- n)** Banco Itaú BBA S.A., through the leading institution Itaú Unibanco Banco Múltiplo S.A., adopted the structure for operational and market risk management in accordance with CMN Resolution 3380/06 and Resolution 3464/07. The description of the structure for operational and market risk management are available on the website (<http://www.itauri.com.br>), under: corporate governance/ rules and policies/ operational risk management policy.

**o) Law 11638**

On December 28, 2007, Law 11638 was approved in order to amend and revoke some provisions of Law 6404/76, and Law 6385/76 in connection with accounting practices, preparation and disclosure of financial statements. This Law sets forth that the rules issued by CVM shall be prepared in conformity with international accounting standards.

We present below the main changes brought by the law, already considered in the financial statements as of December 31, 2008:

- Disclosure of the statement of cash flows in lieu of the statement of changes in financial position as integral part of the financial statements required by the Brazilian accounting practices. This statement was elaborated by the indirect method and it is not being presented of comparative form in accordance with CMN Resolution 3604/08;
- Criteria for classification and valuation of financial instruments at market price, it has already applied these criteria in compliance with rules of BACEN (Notes 3c, 3d, 6 and 7);
- Change in treatment of tax incentives that will now pass through results, with optional allocation to Revenue reserve and excluded from the mandatory dividend calculation basis. This change has not given rise to any effects in the financial statements of Itaú BBA;
- Fixed assets will now include assets arising from operations that transfer to the company any benefits, risks and controls of these assets, and deferred charges will now include preoperating expenses and restructuring expenses; accordingly, leasehold improvements and goodwill of merged subsidiary were reclassified from Deferred charges to Fixed assets and Intangible assets, respectively, including for comparison purposes;
- Periodic analysis on recovery, measurement and disclosure of losses in relation to the recoverable amount of assets, as regulated by CMN Resolution 3566/08. No losses were found by the assessment carried out by Management in the 4th quarter of 2008;
- Creation of the subgroup "Intangible assets" in Permanent Assets, in order to classify any rights whose subjects are intangible assets intend for maintenance of the company or which are exercised for such purpose, including acquired goodwill, accordingly, goodwill of merged subsidiary was reclassified from Deferred charges, including for comparison purposes;

We present below the changes set forth by the law and that will not give rise to relevant effects on the financial statements of Itaú BBA and will come into effect in the next period or await regulation by BACEN:

- Change in the evaluation criterion for affiliated companies stated on the equity method, whenever the investor has a significant impact on these affiliated companies, as regulated by CMN Resolution 3619/08. Significant impact shall be construed as the investor's interest of 20% of voting capital or above. This Resolution will come into effect as from January 1, 2009;
- In take-over, merger and spin-off operations, carried out between independent parties and related to the effective transfer of control, the assets and liabilities of the company to be taken over or arising from the merger of spin-off will be recorded at their market value, as regulated by CMN Resolution 3620/08, which will come into effect as from January 1, 2009;
- Changing the way exchange variation on foreign corporate investments is recorded when the functional currency of the investee is different from the parent company's, having as contra-entry the subgroup Adjustments to equity valuation in Stockholders' equity, awaiting regulation by BACEN;
- Long-term assets and liabilities are basically presented at fair value, based on contractual rates. This change awaits regulation by BACEN.

We highlight that Itaú Unibanco Banco Múltiplo S.A., controller of Itaú BBA annually releases its 20-F report containing the financial statements prepared in accordance with USGAAP, which are more similar to the International Financial Reporting Standards (IFRS) than the Brazilian accounting practices in force before the enactment of Law 11638/07.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**19. RELATED PARTY TRANSACTIONS**

Itaú BBA enters into transactions with its stockholders and related companies and between them, which are carried out under normal market conditions, and can be summarized as follows:

	<b>Assets/(liabilities)</b>			<b>Income/(expenses)</b>	
	<b>2008</b>	<b>2007</b>	<b>2<sup>nd</sup> six-month period 2008</b>	<b>2008</b>	<b>Year 2007</b>
Investments in the open market .....	15,568,817	13,395,765	1,116,976	1,925,662	1,154,742
Interbank deposits .....	27,420,283	30,844,698	2,390,943	4,141,505	2,687,751
Securities and derivative financial instruments.....	2,883,624	1,732,877	4,694,571	7,241,678	3,589,895
Interbank accounts.....	14,563	34,652	-	-	-
Other receivables:					
Foreign exchange portfolio .....	1,521,822	4,410,718	1,384,147	2,368,950	962,796
Income receivable .....	12	9	526	1,543	24,827
Negotiation and intermediation of securities .....	35,136	1,927	-	-	-
Amounts receivable from subsidiaries (Note 18a) .....	6,930	6,930	-	-	-
Sundry receivables .....	225	253	-	-	80
Deposits .....	(52,103,059)	(51,697,177)	(3,524,748)	(6,255,377)	(4,348,808)
Securities sold under repurchase agreements .....	(3,114,516)	(82,336)	(166,140)	(193,850)	(66,129)
Issue of securities abroad .....	-	(3,789)	(614)	(1,042)	-
Interdepartamental accounts .....	(5,724)	(13,486)	-	-	-
Derivative financial instruments .....	(4,372,535)	(906,205)	(7,780,705)	(9,750,090)	(2,851,305)
Other liabilities:					
Foreign exchange portfolio .....	(1,406,080)	(4,389,557)	(957,626)	(1,473,223)	(842,409)
Social and statutory .....	(126,625)	(130,056)	-	-	-
Negotiation and intermediation of securities .....	(1,069)	-	-	-	-
Subordinated debt .....	-	-	-	-	(2,711)
Sundry liabilities .....	(2,775)	(239)	(52,298)	(96,731)	(50,787)

**20. SUBSEQUENT EVENT**

In accordance with ESM of February 28, 2009, it was approved the:

- i - Purchase and merger of participation in Banco Único S.A. (after merger of equity installment of Unibanco – União de Bancos Brasileiros S.A.) as of December 31, 2008.
- ii - Merger of equity installment into Banco Itaú S.A. of participation in Banco Itaú BBA S.A.

**NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2008 AND 2007**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**21. RECLASSIFICATION FOR COMPARISON PURPOSES**

Certain reclassifications of balances at December 31, 2007 were made for comparison purposes, as a result of the regrouping of the following accounts and in order to comply with the requirements of Law 11638/07 (Note 18o).

	<b>Prior disclosure</b>	<b>Reclassifications</b>	<b>Reclassified balances</b>
<b>BALANCE SHEET</b>			
<b>CURRENT ASSETS AND LONG-TERM RECEIVABLES</b> .....	<b>98,534,842</b>		<b>98,534,842</b>
Securities and derivative financial instruments .....	15,746,985	(392,248)	15,354,737
Derivative financial instruments.....	2,861,823	(392,248)	2,469,575
Other receivables .....	10,336,828	392,248	10,729,076
Foreign exchange portfolio .....	9,119,764	392,248	9,512,012
<b>PERMANENT ASSETS</b> .....	<b>732,812</b>		<b>732,812</b>
Fixed assets .....	23,556	4,186	27,742
Properties for own use .....	4,958	7,354	12,312
Accumulated depreciation.....	(36,436)	(3,168)	(39,604)
Deferred charges .....	593,441	(593,441)	-
Goodwill of merged subsidiary.....	760,905	(760,905)	-
Accumulated amortization of goodwill .....	(171,650)	171,650	-
Organization and expansion expenditures .....	7,354	(7,354)	-
Accumulated amortization.....	(3,168)	3,168	-
Intangible assets .....	-	589,255	589,255
Other intangible assets .....	-	760,905	760,905
Accumulated amortization.....	-	(171,650)	(171,650)
<b>TOTAL ASSETS</b> .....	<b>99,267,654</b>		<b>99,267,654</b>
<b>CURRENT AND LONG-TERM LIABILITIES</b> .....	<b>93,353,248</b>		<b>93,353,248</b>
Securities sold under repurchase agreements .....	11,996,887	(32,042)	11,964,845
Third party portfolio.....	10,599,127	(32,042)	10,567,085
Derivative financial instruments .....	3,149,740	(386,923)	2,762,817
Other liabilities.....	10,744,143	418,965	11,163,108
Foreign exchange portfolio .....	9,196,853	386,923	9,583,776
Negotiation and intermediation of securities .....	108,997	32,042	141,039
<b>TOTAL LIABILITIES</b> .....	<b>99,267,654</b>		<b>99,267,654</b>
<b>STATEMENT OF INCOME</b>			
<b>INCOME FROM FINANCIAL INTERMEDIATION</b> .....	<b>5,605,782</b>	<b>25</b>	<b>5,605,807</b>
Securities .....	4,762,503	25	4,762,528
Derivative financial instruments .....	53,548	(5,315)	48,233
Foreign exchange, net.....	140,426	5,315	145,741
<b>EXPENSES ON FINANCIAL INTERMEDIATION</b> .....	<b>(4,061,567)</b>	<b>(25)</b>	<b>(4,061,592)</b>
Funds obtained in the market .....	(4,348,081)	39	(4,348,042)
Borrowings, credit assignments and onlendings.....	317,520	(64)	317,456
<b>NET INCOME</b> .....	<b>919,976</b>		<b>919,976</b>

## **REPORT OF INDEPENDENT AUDITORS**

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To Directors and Stockholders

Banco Itaú BBA S.A.

1. We have audited the accompanying balance sheet of Banco Itaú BBA S.A. as of December 31, 2008, and the related statements of income, of changes in stockholders' equity and of cash flows for the year and six month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audit in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Bank, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
3. In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Banco Itaú BBA S.A. at December 31, 2008 and the results of operations, the changes in stockholders' equity and of cash flows for the year and six month period then ended, in conformity with accounting practices adopted in Brazil.
4. We previously audited the financial statements for the year ended December 31, 2007, comprising the balance sheet and the statements of income and of changes in financial position, and statement of the changes in stockholders' equity for the year and six month period then ended, on which we issued an unqualified opinion, dated February 11, 2008. As mentioned in Note 18(o), the accounting practices adopted in Brazil were modified on January 1, 2008. The financial statements for the year ended December 31, 2007, are being presented jointly with the financial statements for 2008 and, except for the non-presentation of the statement of changes in financial position, have been prepared according to the accounting practices adopted in Brazil in effect until December 31, 2007.

São Paulo, March 13, 2009

**PRICEWATERHOUSECOOPERS** 

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