

## **BANCO ITAÚ S.A.**

### **MANAGEMENT REPORT**

#### **To our Stockholders:**

We present the Management Report and financial statements of BANCO ITAÚ S.A. and its subsidiaries (ITAÚ CONSOLIDATED) for the period from January 1 to December 31, 2008 and 2007, prepared in accordance with the regulations established by the Brazilian Corporate Law, the National Monetary Council (CMN), the Central Bank of Brazil (BACEN) and the Superintendency of Private Insurance (SUSEP).

#### **ECONOMIC ENVIRONMENT**

The global financial market is at a critical moment, of major transformation, with several implications for Brazil. The first effects were noted here in August 2008, with the beginning of a strong devaluation of the Real against the Dollar, and the continuous movement of adjustment in stock exchanges, which had already begun in the first half. The situation worsened in September, with the squeeze of the global credit market. Due to the lack of foreign credit facilities, Brazilian companies with international presence started to search for credit in the domestic market. The credit supply by the major Brazilian Banks reflected the effects of this new demand, of the sound maintenance of liquidity and predictable increase in default. The combination of different factors, mainly those originated abroad, caused a decrease in the expansion level of the Brazilian economy.

The integration of Itaú's and Unibanco's operations takes place in a favorable environment, provided by the foreign crisis itself, which offers opportunities to an even stronger and more competitive Organization. The merger is in line with the global consolidation movement of financial institutions, which reflects a constant quest for operations that are sounder and able to compete, ready for competition, and better prepared to guarantee the credit supply and soundness of the system itself. In Brazil, the competitive scenario followed the same trend since the acquisition of Banco Real by Santander, in 2007, and of Nossa Caixa and Banco Votorantim by Banco do Brasil at the end of 2008.

2009 is expected to be a challenging year, due to the slowdown in the global economy, with less economic growth, increase in unemployment, reduction in the purchase power of the population and the consequent reduction of investments of companies and demand for corporate and individual credit. Brazil, however, will be less affected by the crisis than the major world economies, since the country has a sound financial system with differentiated oversight and regulation systems. This possibility alone shall offer new prospects.

#### **NET INCOME AND STOCKHOLDERS' EQUITY**

ITAÚ CONSOLIDATED net loss reached R\$ 14,341 million for the year and net loss per share of the capital stock was R\$ 3.50. Consolidated stockholders' equity totaled R\$ 25,656 million and book value per share reached R\$ 6.26.

#### **ASSETS AND FUNDS RAISED**

Assets totaled R\$ 597,177 million and were substantially made up of R\$ 290,450 million of Interbank Investments and Securities and Derivative Financial Instruments, and R\$ 233,706 million of Loan, Lease and Other Credit Operations and Foreign Exchange Portfolio. Raised and Managed Funds represented R\$ 777,905 million.

## **CIRCULAR LETTER N. 3,068/01 OF BACEN**

BANCO ITAÚ S.A. hereby represents to have the financial capacity and the intention to hold to maturity securities classified under the line "held-to-maturity securities" in the balance sheet, in the amount of R\$ 4,243 million, corresponding to only 3.6% of total securities held.

### **ACKNOWLEDGEMENTS**

We thank our shareholders and clients for their indispensable support and trust, and our employees for their determination and commitment, which have been essential to reaching differentiated results.

São Paulo, March 13, 2009.

Executive Board

## BANCO ITAÚ S.A.

### Chief Executive Officer and General Manager

ROBERTO EGYDIO SETUBAL

### Senior Vice-Presidents

ALFREDO EGYDIO SETUBAL  
ANTONIO CARLOS BARBOSA DE OLIVEIRA  
ANTONIO JACINTO MATIAS  
GERALDO JOSÉ CARBONE

### Executive Vice-Presidents

JOSÉ CASTRO ARAÚJO RUDGE  
MÁRCIO DE ANDRADE SCHETTINI  
MARCO AMBROGIO CRESPI BONOMI  
RODOLFO HENRIQUE FISCHER  
RUY VILLELA MORAES ABREU  
SÉRGIO RIBEIRO DA COSTA WERLANG

### Executive Directors

ALEXANDRE DE BARROS  
DANIEL LUIZ GLEIZER  
DEMOSTHENES MADUREIRA DE PINHO NETO  
FERNANDO MARSELLA CHACON RUIZ  
GERALDO TRAVAGLIA FILHO  
JOÃO JACÓ HAZARABEDIAN  
LYWAL SALLES FILHO  
MARCIO ANTONIO TEIXEIRA LINARES  
MARCOS DE BARROS LISBOA  
OSVALDO DO NASCIMENTO  
RICARDO VILLELA MARINO  
SILVIO APARECIDO DE CARVALHO

### Senior Managing Directors

ALEXANDRE ZÁKIA ALBERT  
ALMIR VIGNOTO  
ANTONIO CARLOS MORELLI  
CARLOS HENRIQUE MUSSOLINI  
FERNANDO JOSÉ COSTA TELES  
JACKSON RICARDO GOMES  
JOSÉ GERALDO BORGES FERREIRA  
JÚLIO ABEL DE LIMA TABUAÇO  
LUÍS OTÁVIO MATIAS  
MANOEL ANTONIO GRANADO  
MARCO ANTONIO ANTUNES  
MARCO ANTONIO SUDANO  
MÁXIMO HERNÁNDEZ GONZÁLEZ  
NATALÍSIO DE ALMEIDA JÚNIOR  
PAULO ROBERTO SOARES  
ROBERTO MASSARU NISHIKAWA  
SANDRA NUNES DA CUNHA BOTEGUIM

### Managing Directors

ADRIANO BRITO DA COSTA LIMA  
ANDRÉ DE MOURA MADARÁS  
ANDRÉA MATTEUCCI PINOTTI CORDEIRO  
ANTONIO CARLOS RICHECKI RIBEIRO  
ANTONIO SIVALDI ROBERTI FILHO  
ARNALDO PEREIRA PINTO  
AURÉLIO JOSÉ DA SILVA PORTELLA  
BORIS SIQUEIRA DE CERQUEIRA LEITE  
CARLOS EDUARDO DE SOUZA LARA  
CARLOS EDUARDO MONICO  
CARLOS HENRIQUE DONEGÁ AIDAR  
CELSON LUIZ HUPFER  
CESAR PADOVAN  
CÍCERO MARCUS DE ARAÚJO  
COSMO FALCO  
CRISTIANE MAGALHÃES TEIXEIRA PORTELLA  
EDSON GERMANO WINTER  
EDUARDO ALMEIDA PRADO  
EDUARDO PEIXOTO FERREIRA LEITE  
ERIVELTO CALDERAN CORRÊA  
ERNESTO ANTUNES DE CARVALHO  
FABIO WHITAKER VIDIGAL  
HELI DE ANDRADE  
JEAN MARTIN SIGRIST JÚNIOR  
JOÃO ANTONIO DANTAS BEZERRA LEITE  
JOAQUIM MARCONDES DE ANDRADE WESTIN  
LINDA AGARINAKAMURA  
LUÍS ANTÔNIO RODRIGUES  
LUÍS EDUARDO GROSS SIQUEIRA CUNHA  
LUIZ ANTONIO FERNANDES CALDAS MORONE  
LUIZ ANTONIO NOGUEIRA DE FRANÇA  
LUIZ ANTONIO RIBEIRO  
LUIZ FERNANDO DE ASSUMPÇÃO FARIA  
LUIZ FERNANDO OLIVEIRA BARRICHELO  
LUIZ MARCELO ALVES DE MORAES  
MARCELO BOOCK  
MARCELO HABICE DA MOTTA  
MARCELO SANTOS RIBEIRO  
MARCELO VILLAÇA MACEDO CARVALHO  
MARCOS AURÉLIO REITANO  
MARCOS ROBERTO CARNIELLI  
MIGUEL BURGOS NETO  
MOACYR ROBERTO FARTO CASTANHO  
OLÍVIO MORI JÚNIOR  
OSMAR MARCHINI  
OSVALDO JOSÉ DAL FABBRO  
PATRICK PIERRE DELFOSSE  
PAULO EIKIEVICIUS CORCHAKI  
RENATA HELENA DE OLIVEIRA TUBINI  
RICARDO LIMA SOARES  
RICARDO ORLANDO  
RICARDO RIBEIRO MANDACARU GUERRA  
RICARDO TERENCE NEUENSCHWANDER  
ROBERT MACKELLAR RITCHIE  
ROONEY SILVA

**BANCO ITAÚ S.A.**  
**Consolidated Balance Sheet (Note 2a)**  
(In thousands of reais)

ASSETS	12/31/2008	12/31/2007
<b>CURRENT ASSETS</b>	<b>434,358,131</b>	<b>215,247,685</b>
<b>CASH AND CASH EQUIVALENTS</b>	<b>14,217,016</b>	<b>3,590,763</b>
<b>INTERBANK INVESTMENTS (Notes 4b and 6)</b>	<b>135,006,087</b>	<b>74,264,267</b>
Money market	95,064,889	40,296,948
Money market - Assets Guaranteeing Technical Provisions – SUSEP (Note 11b)	73,868	746,228
Interbank deposits	39,867,330	33,221,091
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)</b>	<b>92,574,972</b>	<b>41,056,591</b>
Own portfolio	26,331,866	13,861,401
Subject to repurchase commitments	2,575,952	666,636
Pledged in guarantee	11,074,510	2,303,421
Deposited with the Central Bank	6,142,991	402,854
Securities subject to unrestricted repurchase agreements	-	4,113
Derivative financial instruments	12,566,998	2,251,164
Assets guaranteeing technical provisions - PGBL/VGBL fund quotas (Note 11b)	30,023,746	18,664,004
Assets guaranteeing technical provisions - other securities (Note 11b)	3,858,909	2,902,998
<b>INTERBANK ACCOUNTS</b>	<b>13,420,475</b>	<b>17,065,681</b>
Pending settlement	80,328	13,059
Central Bank deposits	13,264,682	17,012,687
National Housing System (SFH)	14,371	30,088
Correspondents	61,094	9,847
<b>INTERBRANCH ACCOUNTS</b>	<b>41,242</b>	<b>42,552</b>
<b>LOAN, LEASE AND OTHER CREDIT OPERATIONS (Note 8)</b>	<b>114,844,033</b>	<b>49,533,357</b>
Operations without credit granting characteristics (Note 4e)	124,467,393	53,897,321
(Allowance for loan losses) (Note 4f)	(9,623,360)	(4,363,964)
<b>OTHER RECEIVABLES</b>	<b>61,794,634</b>	<b>28,423,748</b>
Foreign exchange portfolio (Note 9)	41,113,633	15,448,857
Income receivable	2,050,367	788,753
Insurance premiums receivable (Note 11b)	2,044,779	789,636
Negotiation and intermediation of securities	1,427,660	648,538
Sundry (Note 13a)	15,158,195	10,747,964
<b>OTHER ASSETS (Note 4g)</b>	<b>2,459,672</b>	<b>1,270,726</b>
Other assets	530,946	329,417
(Valuation allowance)	(208,255)	(59,819)
Prepaid expenses (Note 13b)	2,136,981	1,001,128
<b>LONG-TERM RECEIVABLES</b>	<b>152,673,406</b>	<b>71,182,449</b>
<b>INTERBANK INVESTMENTS (Notes 4b and 6)</b>	<b>38,386,838</b>	<b>27,949,974</b>
Money market	3,032,889	613,393
Money market - Assets Guaranteeing Technical Provisions – SUSEP (Note 11b)	2,091,711	400,354
Interbank deposits	33,262,238	26,936,227
<b>SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4c, 4d and 7)</b>	<b>24,482,242</b>	<b>6,164,671</b>
Own portfolio	7,970,224	3,663,846
Subject to repurchase commitments	3,246,332	483,579
Pledged in guarantee	1,639,736	354,087
Deposited with the Central Bank	3,786,890	-
Derivative financial instruments	3,752,047	1,004,520
Assets guaranteeing technical provisions - other securities (Note 11b)	4,087,013	658,639
<b>INTERBANK ACCOUNTS - National Housing System (SFH)</b>	<b>655,867</b>	<b>386,798</b>
<b>LOAN, LEASE AND OTHER CREDIT OPERATIONS (Note 8)</b>	<b>58,565,518</b>	<b>28,508,221</b>
Operations without credit granting characteristics (Note 4e)	66,764,150	31,647,140
(Allowance for loan losses) (Note 4f)	(8,198,632)	(3,138,919)
<b>OTHER RECEIVABLES</b>	<b>28,540,452</b>	<b>7,319,001</b>
Foreign exchange portfolio (Note 9)	1,361,248	2,439,651
Income receivable	67,485	19,001
Sundry (Note 13a)	27,111,719	4,860,349
<b>OTHER ASSETS - Prepaid expenses (Note 4g and 13b)</b>	<b>2,042,489</b>	<b>853,784</b>
<b>PERMANENT ASSETS</b>	<b>10,145,937</b>	<b>6,095,455</b>
<b>INVESTMENTS (Notes 4h and 15a I)</b>	<b>2,467,011</b>	<b>1,230,783</b>
Investments in affiliates	1,569,746	987,445
Other investments	1,070,801	321,511
(Allowance for loan losses)	(173,536)	(78,173)
<b>FIXED ASSETS (Notes 4i and 15b)</b>	<b>3,867,448</b>	<b>2,059,549</b>
Real estate in use	4,222,371	2,642,727
Other fixed assets	5,806,127	3,498,557
(Accumulated depreciation)	(6,161,050)	(4,081,735)
<b>OPERATING LEASE ASSETS (Note 4j)</b>	<b>9,335</b>	<b>12,246</b>
Leased assets	18,553	18,553
(Accumulated depreciation)	(9,218)	(6,307)
<b>INTANGIBLE ASSETS (Note 4k and 15b)</b>	<b>3,802,143</b>	<b>2,792,877</b>
Acquisition of rights to credit payroll	2,395,438	2,124,509
Other intangible assets	2,015,105	866,213
(Accumulated amortization)	(608,400)	(197,845)
<b>TOTAL ASSETS</b>	<b>597,177,474</b>	<b>292,525,589</b>

**BANCO ITAÚ S.A.**  
**Consolidated Balance Sheet (Note 2a)**  
(In thousands of reais)

LIABILITIES	12/31/2008	12/31/2007
<b>CURRENT LIABILITIES</b>	<b>315,637,461</b>	<b>169,531,813</b>
<b>DEPOSITS (Notes 4b and 10a)</b>	<b>119,778,952</b>	<b>86,443,306</b>
Demand deposits	24,260,007	24,815,950
Savings deposits	38,538,469	27,590,742
Interbank deposits	16,545,168	21,472,485
Time deposits	39,310,192	11,159,595
Other deposits	1,125,116	1,404,534
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 4b and 10a)</b>	<b>82,408,253</b>	<b>32,203,707</b>
Own portfolio	18,986,463	10,534,729
Third-party portfolio	62,331,581	21,306,168
Free portfolio	1,090,209	362,810
<b>FUNDS FROM ACCEPTANCES AND ISSUANCE OF SECURITIES (Notes 4b and 10b)</b>	<b>8,335,759</b>	<b>2,585,304</b>
Real estate, mortgage, credit and similar notes	6,248,274	282,250
Debentures	127,489	1,463,021
Foreign borrowings through securities	1,959,996	840,033
<b>INTERBANK ACCOUNTS</b>	<b>345,250</b>	<b>387,564</b>
Pending settlement	90,914	812
Correspondents	254,336	386,752
<b>INTERBRANCH ACCOUNTS</b>	<b>1,895,797</b>	<b>892,221</b>
Third-party funds in transit	1,874,389	888,141
Internal transfer of funds	21,408	4,080
<b>BORROWINGS AND ONLENDINGS (Note 4b and 10c)</b>	<b>12,310,450</b>	<b>2,681,432</b>
Borrowings	7,976,008	1,519,258
Onlending	4,334,442	1,162,174
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7b)</b>	<b>9,556,559</b>	<b>1,900,319</b>
<b>TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION (Notes 4l and 11a)</b>	<b>7,049,241</b>	<b>3,189,823</b>
<b>OTHER LIABILITIES</b>	<b>73,957,200</b>	<b>39,248,137</b>
Collection and payment of taxes and contributions	650,038	352,089
Foreign exchange portfolio (Note 9)	40,247,924	15,504,931
Social and statutory	2,355,258	1,913,945
Tax and social security contributions (Notes 4m, 4n, 12c and 13c)	6,430,018	5,389,672
Negotiation and intermediation of securities	2,088,125	1,763,923
Credit card operations	14,358,309	8,573,262
Securitization of foreign payment orders (Note 10a)	215,500	166,327
Subordinated debt (Note 10d)	1,249,445	2,065,107
Sundry (Note 13c)	6,362,583	3,518,881
<b>LONG-TERM LIABILITIES</b>	<b>241,465,350</b>	<b>98,639,801</b>
<b>DEPOSITS (Notes 4b and 10a)</b>	<b>84,181,488</b>	<b>16,515,252</b>
Interbank deposits	9,839,328	10,835,851
Time deposits	74,342,160	5,679,401
<b>DEPOSITS RECEIVED UNDER SECURITIES REPURCHASE AGREEMENTS (Notes 4b and 10a)</b>	<b>50,079,803</b>	<b>33,837,653</b>
Own portfolio	49,905,527	33,837,653
Third-party portfolio	174,276	-
<b>FUNDS FROM ACCEPTANCES AND ISSUANCE OF SECURITIES (Notes 4b and 10b)</b>	<b>8,274,392</b>	<b>4,292,145</b>
Real estate, mortgage, credit and similar notes	841,118	-
Debentures	4,194,108	2,676,182
Foreign borrowings through securities	3,239,166	1,615,963
<b>BORROWINGS AND ONLENDINGS (Note 4b and 10c)</b>	<b>13,833,212</b>	<b>3,056,346</b>
Borrowings	4,573,982	1,565,982
Onlending	9,259,230	1,490,364
<b>DERIVATIVE FINANCIAL INSTRUMENTS (Notes 4d and 7b)</b>	<b>3,273,891</b>	<b>777,697</b>
<b>TECHNICAL PROVISIONS FOR INSURANCE, PENSION PLAN AND CAPITALIZATION (Notes 4l and 11a)</b>	<b>34,522,738</b>	<b>20,642,276</b>
<b>OTHER LIABILITIES</b>	<b>47,299,826</b>	<b>19,518,432</b>
Foreign exchange portfolio (Note 9)	2,093,410	2,453,930
Tax and social security contributions (Notes 4m, 4n, 12c and 14c)	11,454,078	4,167,029
Securitization of foreign payment orders (Note 10a)	3,613,233	943,248
Subordinated debt (Note 10d)	21,066,680	9,310,176
Sundry (Note 13c)	9,072,425	2,644,049
<b>DEFERRED INCOME (Note 4o)</b>	<b>185,896</b>	<b>44,422</b>
<b>MINORITY INTEREST IN SUBSIDIARIES (Note 21l)</b>	<b>14,232,710</b>	<b>11,646,524</b>
<b>STOCKHOLDERS' EQUITY (Note 16)</b>	<b>25,656,057</b>	<b>12,663,029</b>
Capital	40,175,000	10,202,000
Capital reserves	800,540	711,492
Revaluation reserves	8,738	12,584
Revenue reserves	-	1,692,317
Asset valuation adjustment (Notes 4c and 7)	(403,202)	44,636
Accumulated deficit	(14,925,019)	-
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>597,177,474</b>	<b>292,525,589</b>

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

**BANCO ITAÚ S.A.**  
**Consolidated Statement of Income (Note 2a)**

(In thousands of reais)

	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>INCOME FROM FINANCIAL OPERATIONS</b>	<b>60,897,115</b>	<b>32,781,559</b>
Loan, lease and other credit operations	34,857,438	19,834,140
Securities	21,759,508	9,808,482
Financial income from insurance, pension plan and capitalization operations (Note 11c)	2,321,376	2,210,270
Foreign exchange operations	555,672	41,251
Compulsory deposits	1,403,121	887,416
<b>EXPENSES ON FINANCIAL OPERATIONS</b>	<b>(40,300,601)</b>	<b>(13,876,742)</b>
Money market	(35,049,259)	(11,822,398)
Financial expenses on technical provisions for pension plan and capitalization (Note 11c)	(1,841,417)	(1,840,601)
Borrowings and onlending	(3,409,925)	(213,743)
<b>INCOME FROM FINANCIAL OPERATIONS BEFORE LOAN LOSSES</b>	<b>20,596,514</b>	<b>18,904,817</b>
<b>RESULT OF LOAN LOSSES (Notes 8d and 8f)</b>	<b>(11,144,160)</b>	<b>(5,414,229)</b>
Expense for allowance for loan losses	(12,451,229)	(6,459,830)
Income from recovery of credits written-off as loss	1,307,069	1,045,601
<b>GROSS INCOME FROM FINANCIAL OPERATIONS</b>	<b>9,452,354</b>	<b>13,490,588</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>	<b>(27,975,286)</b>	<b>(4,048,165)</b>
Service fees (Note 13d)	8,287,500	7,259,722
Banking service fees (Note 13e)	2,527,902	2,399,146
Result from insurance, pension plan and capitalization operations (Note 11c)	1,304,725	1,218,943
Personnel expenses (Note 13f)	(6,887,587)	(5,112,677)
Other administrative expenses (Note 13g)	(7,881,041)	(6,098,399)
Tax expenses (Note 4n and 14a II)	(2,080,509)	(2,238,182)
Equity in earnings of affiliates (Note 15a II)	300,612	214,350
Other operating income (Note 13h)	1,553,675	399,464
Other operating expenses (Note 13i)	(25,100,563)	(2,090,532)
<b>OPERATING INCOME</b>	<b>(18,522,932)</b>	<b>9,442,423</b>
<b>NON-OPERATING INCOME (Note 13j)</b>	<b>172,095</b>	<b>2,679,526</b>
<b>INCOME BEFORE TAXES ON INCOME AND PROFIT SHARING</b>	<b>(18,350,837)</b>	<b>12,121,949</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION (Notes 4n and 14a I)</b>	<b>8,420,645</b>	<b>(3,815,550)</b>
Due on operations for the period	(2,424,385)	(2,674,528)
Related to temporary differences	10,845,030	(1,141,022)
<b>PROFIT SHARING</b>	<b>(744,983)</b>	<b>(611,644)</b>
Employees - Law No. 10,101 of 12/19/2000	(661,652)	(544,726)
Officers - Statutory – Law No. 6,404 of 12/15/1976	(83,331)	(66,918)
<b>MINORITY INTEREST IN SUBSIDIARIES (Note 21I)</b>	<b>(3,665,811)</b>	<b>(4,222,966)</b>
<b>NET INCOME (LOSS)</b>	<b>(14,340,986)</b>	<b>3,471,789</b>
<b>NUMBER OF SHARES (Note 16a)</b>	<b>4,095,427,813</b>	<b>99,569,772</b>
<b>NET INCOME (LOSS) PER SHARE - R\$</b>	<b>(3.50)</b>	<b>34.87</b>
<b>BOOK VALUE PER SHARE - R\$</b>	<b>6.26</b>	<b>127.18</b>
<b>EXCLUSION OF NONRECURRING EFFECTS (Note 21m)</b>	<b>17,101,920</b>	<b>(1,252,884)</b>
<b>NET INCOME (LOSS) WITHOUT NONRECURRING EFFECTS</b>	<b>2,760,934</b>	<b>2,218,905</b>
<b>NET INCOME (LOSS) PER SHARE - R\$</b>	<b>0.67</b>	<b>22.28</b>
<b>NET INCOME (LOSS) PER SHARE (WITHOUT THE EFFECT OF THE ITAÚ UNIBANCO MERGER IN 2008) - R</b>	<b>27.73</b>	<b>22.28</b>

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

**BANCO ITAÚ S.A.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (NOTE 16)**  
*(In thousands of reais)*

	Capital	Capital reserves	Revaluation reserves	Revenue reserves	Asset valuation adjustments	Retained earnings / accumulated Deficit	Total
<b>BALANCES AT 01/01/2007</b>	<b>10,174,893</b>	<b>540,728</b>	<b>13,423</b>	<b>2,460,162</b>	<b>112,318</b>	<b>-</b>	<b>13,301,524</b>
Capitalization with reserves – OSM/ESM of 04/30/2007	27,107	(27,107)	-	-	-	-	-
Restatement of equity securities	-	1,729	-	-	-	-	1,729
Capital rearrangement (Note 20f)	-	196,142	-	-	-	-	196,142
Realization of revaluation reserves	-	-	(839)	-	-	839	-
Additional - Year 2006							
Interest on capital	-	-	-	(11,297)	-	-	(11,297)
Dividends	-	-	-	(1,599,091)	-	-	(1,599,091)
Asset valuation adjustments	-	-	-	-	(67,682)	-	(67,682)
Net Income	-	-	-	-	-	2,746,543	2,746,543
Appropriations:							
Legal reserve	-	-	-	137,327	-	(137,327)	-
Statutory reserves	-	-	-	1,844,614	-	(1,844,614)	-
Dividends and interest on capital	-	-	-	-	-	(765,441)	(765,441)
<b>BALANCES AT 12/31/2007</b>	<b>10,202,000</b>	<b>711,492</b>	<b>12,584</b>	<b>2,831,715</b>	<b>44,636</b>	<b>-</b>	<b>13,802,427</b>
<b>CHANGES IN THE PERIOD</b>	<b>27,107</b>	<b>170,764</b>	<b>(839)</b>	<b>371,553</b>	<b>(67,682)</b>	<b>-</b>	<b>500,903</b>
<b>BALANCES AT 01/01/2008</b>	<b>10,202,000</b>	<b>711,492</b>	<b>12,584</b>	<b>2,831,715</b>	<b>44,636</b>	<b>-</b>	<b>13,802,427</b>
Capital increase - ESM of 11/28/2008	29,973,000	533	-	-	-	-	29,973,533
Restatement of equity securities and others	-	428	-	-	-	-	428
Realization of revaluation reserves	-	-	(3,846)	-	-	3,846	-
Granting of options recognized/Prior years' adjustments – Law No. 11,638	-	88,087	-	(66,205)	-	(15,136)	6,746
Asset valuation adjustments	-	-	-	-	(447,838)	-	(447,838)
Dividends paid - Executive Board's Meeting of 04/04/2008	-	-	-	(1,799,225)	-	-	(1,799,225)
Dividends and interest on capital paid	-	-	-	(399,632)	-	-	(399,632)
Accumulated deficit	-	-	-	-	-	(1,723,163)	(1,723,163)
Absorption of losses	-	-	-	(566,653)	-	566,653	-
<b>BALANCES AT 31/12/2008</b>	<b>40,175,000</b>	<b>800,540</b>	<b>8,738</b>	<b>-</b>	<b>(403,202)</b>	<b>(1,167,800)</b>	<b>39,413,276</b>
<b>CHANGES IN THE PERIOD</b>	<b>29,973,000</b>	<b>89,048</b>	<b>(3,846)</b>	<b>(2,831,715)</b>	<b>(447,838)</b>	<b>(1,167,800)</b>	<b>25,610,849</b>

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

## BANCO ITAÚ S.A.

## Consolidated Statement of Cash Flows

(In thousands of reais)

01/01 to  
12/31/2008

<b>Adjusted net income</b>	<b>23,640,078</b>
Net Income	(14,340,986)
Adjustments to net income:	37,981,064
Adjustment to market value of securities and derivative financial instruments (assets and liabilities)	1,428,074
Allowance for loan losses	12,451,229
Results from operations with subordinated debt	2,518,847
Results from securitization of foreign payment orders	871,413
Change in technical provisions for insurance, pension plan and capitalization	7,318,340
Depreciation and amortization	1,430,117
Adjustment to legal liabilities - tax and social security	(107,641)
Adjustment to provision for contingent liabilities	1,849,761
Provision for expenditures with Itaú Unibanco merger (Note 13i)	1,330,800
Deferred taxes	(10,845,030)
Equity in earnings of affiliates	(300,612)
Income from available-for-sale securities	(2,410,046)
Income from held-to-maturity securities	(363,649)
Amortization of goodwill in the purchase of investment and minority interests (note 13i)	19,483,129
(Loss) income from sale of investments (Note 13j)	(264,235)
Minority interest	3,665,811
Other	(75,244)
<b>Change in assets and liabilities</b>	<b>(7,405,368)</b>
(Increase) decrease in interbank investments	(32,163,592)
(Increase) decrease in securities and derivative financial instruments (assets/liabilities)	(23,834,880)
(Increase) decrease in compulsory deposits with the Central Bank of Brazil	3,748,005
(Increase) decrease in interbank and interbranch accounts (assets/liabilities)	6,941,420
(Increase) decrease in loan, lease and other credit operations	(44,297,877)
(Increase) decrease in other receivables and other assets	(236,801)
(Increase) decrease in foreign exchange portfolio and negotiation and intermediation of securities (assets/liabilities)	1,832,925
(Decrease) increase in deposits	46,588,812
(Decrease) increase in deposits received under securities repurchase agreements	35,119,414
(Decrease) increase in funds for issuance of securities	1,121,568
(Decrease) increase in borrowings and onlending	1,817,553
(Decrease) increase in credit card operations	5,784,047
(Decrease) increase in securitization of foreign payment orders	(154,891)
(Decrease) increase in technical provisions for insurance, pension plan and capitalization	(1,533,742)
(Decrease) increase in other liabilities	(6,460,606)
(Decrease) increase in deferred income	94,389
Payment of income tax and social contribution	(1,771,112)
<b>Net cash provided by (used in) operating activities</b>	<b>16,234,710</b>
Interest on capital / dividends received from affiliated companies	120,465
Income from sale of available-for-sale securities	8,367,866
Income from redemption of held-to-maturity securities	249,044
Disposal of assets not for own use	147,807
Disposal of investments	283,021
Payment of income tax and social contribution from sale of investments	(89,840)
Sale of fixed assets	45,333
Purchase of available-for-sale securities	(11,333,343)
Cash and cash equivalents current for balance arising from ITAÚ UNIBANCO	14,962,865
Purchase of AIG Seguros S.A.'s interest (Note 2aII)	(1,937,203)
Purchase of investments	(105,582)
Purchase of fixed assets	(1,130,864)
Purchase of intangible assets	(995,600)
<b>Net cash provided by (used in) investment activities</b>	<b>8,583,969</b>
(Increase) decrease in subordinated debt	795,608
Change in minority interest	(1,505,681)
Interest on capital paid	(2,192,767)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,902,840)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>21,915,839</b>
Cash and cash equivalents at the beginning of the period	33,906,668
Effects of changes in foreign exchange rates in cash and adjustment to cash equivalents	636,714
Cash and cash equivalents at the end of the period	56,414,221



**BANCO ITAÚ S.A.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

(In thousands of reais)

**NOTE 1 - OPERATIONS**

Banco Itaú S.A. (ITAÚ) is a publicly listed company which, together with its subsidiary and affiliated companies, operates in Brazil and abroad, with all types of banking activities, through its commercial, investment, consumer credit, mortgage loan, finance and investment credit, and lease portfolios, including foreign exchange operations, and other complementing activities, with emphasis on Insurance, Private Pension Plans, Capitalization, Securities Brokerage and Administration of Credit Cards, Consortia, Investment Funds and Managed Portfolios.

**NOTE 2 – PRESENTATION OF THE FINANCIAL STATEMENTS**

**a) Presentation of the Financial Statements**

The financial statements of ITAÚ CONSOLIDATED have been prepared in accordance with accounting principles established by the Brazilian Corporate Law, including the amendments introduced by Law No. 11,638, of December 28, 2007, and by Provisional Measure No. 449, of December 3, 2008, taken into consideration for the first time in 2008 (Note 21n), in conformity, when applicable, with instructions issued by BACEN and the National Monetary Council (CMN), which include the use of estimates necessary to calculate accounting provisions.

**I – Merger between Itaú and Unibanco**

On November 3, Itaúsa - Investimentos Itaú S.A. (ITAÚSA) and Unibanco Holdings S.A. (UNIBANCO HOLDINGS) entered into an agreement for merger, aiming at unifying the operations of Banco Itaú S.A. (ITAÚ) and Unibanco – União de Bancos Brasileiros S.A. (UNIBANCO), so as to create the largest financial group in Southern hemisphere. This transaction was BACEN's approval in February 18, 2009.

This merger comprised a corporate reorganization, which resulted in the migration of the current stockholders of UNIBANCO HOLDINGS and UNIBANCO to a listed company – ITAÚ UNIBANCO, which control is shared between ITAÚSA and the UNIBANCO HOLDINGS controlling stockholders by means of IUPAR - Itaú Unibanco Participações S.A., a non-financial holding company set up in such reorganization.

Additionally, before the scheduled transaction, ITAÚSA transferred its shares of Itaúsa Europa Investimentos SGPS Lda. (ITAÚSA EUROPA) and Itaúsa Export S.A. (ITAÚSA EXPORT), companies which hold all shares of Banco Itaú Europa S.A. (ITAÚ EUROPA), to ITAÚ for the amount of R\$ 1,136,700, R\$ 586,700 in cash and R\$ 550,000 upon delivery of 20,954,935 book-entry common shares, with no par value, issued by ITAÚ. The goodwill computed amounted to R\$ 77,457, fully amortized in the consolidated financial statements, which, net of tax effects, totaled R\$ 70,486.

At the Extraordinary Stockholders' Meeting held in November 28, 2008, ITAÚ merged all shares of E.Johnston Representação e Participações S.A. (E.JOHNSTON), UNIBANCO HOLDINGS and UNIBANCO, issuing 1,121,033,136 book-entry shares, with no par value, of which 506,796,006 are common and 614,237,130 are preferred shares, attributed to stockholders of said companies. In order to reestablish ITAÚ's status of wholly-owned subsidiary, the capital of Itaú Unibanco Banco Múltiplo S.A., current name of Banco Itaú Holding Financeira S.A. (ITAÚ HOLDING), was increased by R\$ 12,000,000, with the issuance of 1,141,988,071 book-entry shares, with no par value, of which 527,750,941 are common and 614,237,130 are preferred shares.

The balance sheets of UNIBANCO, UNIBANCO HOLDINGS and E. JOHNSTON, on which the calculation of goodwill was based, were those as of September 30, 2008, which considered adjustments amounting to R\$ 2,185,000 that, net of tax effects, amounted to R\$ 1,558,000; these adjustments were made to achieve uniformity in the accounting criteria adopted by Itaú and are basically represented by allowance for loan losses and contingencies.

The goodwill computed by ITAÚ in the above-mentioned corporate transactions amounted to R\$ 18,255,816, fully amortized in the consolidated financial statements, which, net of tax effects, amount to R\$ 12,067,226.

The results of UNIBANCO, UNIBANCO HOLDINGS and E. JOHNSTON for the period from October 1, 2008 to December 31, 2008 were recognized in the income of ITAÚ in the 4<sup>th</sup> quarter of 2008.

## II – Acquisition and Disposal of Ownership Interests

On November 26, 2008, UNIBANCO informed the market that it had entered into an agreement with American International Group, Inc. (AIG), through which the parties concurrently purchased and sold their ownership interests in Brazilian insurance companies, as follows:

- UNIBANCO acquired, for R\$ 1,937,203 (equivalent to US\$ 820 million), the interest held by AIG in Unibanco AIG Seguros S.A., which shall start being named Unibanco Seguros S.A.
- AIG acquired, for R\$ 35,081 (equivalent to US\$ 15 million), the ownership interest held by UNIBANCO in AIG Brasil Companhia de Seguros.

The goodwill computed by ITAÚ amounted to R\$ 1,095,847, fully amortized in the consolidated financial statements, which, net of tax effects, totaled R\$ 723,259.

## III – Other Procedures

CMN Resolution No. 3,518, of December 6, 2007, regulates the collection of fees for services provided by financial and other institutions authorized to operate by BACEN, producing effects as from April 30, 30/04/2008. The income from the collection of these fees is disclosed in the Consolidated Statement of Income under the heading “Income from Banking Fees”, set up by BACEN Circular Letter No. 3,324, of June 12, 2008 (Note 13e).

As set forth in the sole paragraph of article 7 of BACEN Circular No. 3,068, of November 8, 2001, securities classified as trading securities (Note 4b) are presented in the Balance Sheet under Current Assets regardless of their maturity dates.

As set forth in paragraph 1, article 2, of BACEN Circular No. 2,804, of February 11, 1998, the financial statements of ITAÚ comprise the consolidation of its branches and foreign subsidiary companies.

Lease Operations are presented, at present value, in the Balance Sheet, and the related income and expenses, which represent the financial result of these operations, are presented, grouped together, under loan, lease and other credits operations in the Statement of Income. 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 expenses and income, in order to represent exclusively the impact of variations and differences of rates on the balance sheet accounts denominated in foreign currencies.

## **b) Consolidation**

As set forth in paragraph 1, article 2, of BACEN Circular No. 2,804, of February 11, 1998, the financial statements of ITAÚ CONSOLIDATED comprise the consolidation of its branches and foreign subsidiary companies.

Intercompany transactions and balances and results have been eliminated on consolidation. The investments held by consolidated companies in Exclusive Investment Funds are consolidated. The investments in these fund portfolios are classified by type of transaction and were distributed by type of security, in the same categories in which these securities had been originally allocated. The effects of the Foreign Exchange Variation on investments abroad are classified in the Statement of Income accounts, according to the nature of the corresponding balance sheet accounts.

The difference in Net Income and Stockholders' Equity between ITAÚ and ITAÚ CONSOLIDATED (Note 16c) results from the elimination of unrealized profits (losses) arising from consolidated intercompany transactions, the related taxes on which have been deferred, and from the adoption of different criteria for the amortization of goodwill originated on purchase of investments and the recognition of deferred tax assets.

In ITAÚ, goodwill recorded in subsidiaries, mainly originated from the merger with Unibanco – União de Banco Brasileiros S.A., Unibanco Holdings S.A. and E. Johnston Representação e Participações S.A., from the acquisition of Itaúsa Europa Investimentos SGPS, Lda, Itaúsa Export S.A., BankBoston (BKB) operations in Brazil, Chile and Uruguay, BankBoston International (BBI) and BankBoston Trust Company Limited (BBT), from the partnership to set up the Financeiras Itaú CBD and Americanas Itaú and from the acquisition of part of the shares of BPI S.A. (BPI), is being amortized based on the expected future profitability (10 years) or upon realization of investments, according to the rules and guidance of CMN and BACEN.

In ITAÚ CONSOLIDATED, goodwill calculated up to December 31, 2007 was fully amortized in the years when these investments occurred in order to: a) permit better comparability with previous periods' consolidated financial statements; and b) permit measuring Net Income and Stockholders' Equity based on conservative criteria. Considering the characteristics of the merger of the financial operations of the ITAÚ and UNIBANCO groups, carried out through shared control of IUPAR (Note 2a), the goodwill arising from such merger was fully amortized at December 31, 2008.

The consolidated financial statements comprise BANCO ITAÚ and its direct and indirect subsidiaries, among which we highlight:

	Incorporation country	Interest %	
		12/31/2008	12/31/2007
Afinco Americas Madeira, SGPS, Sociedade Unipessoal, LDA	Portugal	100.00	100.00
Banco Dibens S.A.	Brazil	100.00	-
Banco Fiat S.A.	Brazil	99.43	99.43
Banco Fininvest S.A.	Brazil	99.99	-
Banco Itaú Argentina S.A.	(1) Brazil	99.04	99.00
Banco Itaú Europa Luxembourg S.A.	(2) Luxembourg	99.98	19.52
Banco Itaú Europa S.A.	(2) Portugal	99.99	19.53
Banco Itaubank S.A.	Brazil	100.00	100.00
Banco Itaucard S.A.	(3) Brazil	99.43	99.43
Banco Itaured Financiamentos S.A.	Brazil	99.44	99.44
Banco Itauleasing S.A.	Brazil	99.90	99.90
Banco Único S.A.	Brazil	100.00	-
BIU Participações S.A.	(4)(8) Brazil	66.15	41.66
Cia. Itaú de Capitalização	(5) Brazil	46.63	11.34
Dibens Leasing S.A. - Arrendamento Mercantil	Brazil	100.00	-
E. Johnston Representações e Participações S.A.	Brazil	100.00	-
FAI - Financeira Americanas Itaú S.A. Crédito, Financiamento e Investimento	(4) Brazil	49.71	49.71
Fiat Administradora de Consórcios Ltda.	Brazil	99.43	99.43
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	(6) Brazil	49.71	49.71
Hipercard Banco Múltiplo S.A.	Brazil	99.99	-
Itaú Administradora de Consórcios Ltda.	Brazil	99.99	99.99
Itau Bank, Ltd.	(7) Cayman Islands	100.00	100.00
Itaú Corretora de Valores S.A.	(3) Brazil	95.22	95.22
Itaú Seguros S.A.	(3) Brazil	8.99	8.99
Itaú Vida e Previdência S.A.	(5) Brazil	45.59	9.60
Itaú XL Seguros Corporativos S.A.	(6) Brazil	4.50	4.50
ItauBank Leasing S.A. - Arrendamento Mercantil	Brazil	99.99	99.99
Itaúsa Export S.A.	(2) Brazil	100.00	22.23
Orbital Serviços e Processamento de Informações Comerciais S.A.	Brazil	99.49	99.49
Redecard S.A.	(4)(8) Brazil	44.22	23.08
Unibanco - União de Bancos Brasileiros S.A.	Brazil	100.00	-
Unibanco Holdings S.A.	Brazil	100.00	-
Unibanco Cayman Bank Ltd.	Cayman Islands	100.00	-
Unibanco Companhia de Capitalização S.A.	Brazil	99.99	-
Unibanco Participações Societárias S.A.	Brazil	51.00	-
Unibanco Seguros S.A.	Brazil	100.00	-
Unibanco Vida e Previdência S.A.	Brazil	99.99	-
Unicard Banco Múltiplo S.A.	Brazil	99.99	-

(1) New corporate name of Banco Itaú Buen Ayre S.A., approved by the Central Bank of Argentina on July 27, 2008;

(2) In 2008 shares of Itaúsa Export S.A. and Itaúsa Europa S.A. were purchased by Banco Itaú S.A.. In 2007 companies characterized as affiliated companies included in consolidation, as authorized by with CVM, for a better presentation of the economic unit. Controlled by Itaúsa - Investimentos Itaú S.A.;

(3) Percentage of equity share in capital represented by Common Shares. The Preferred Shares entitle their stockholders to the distribution of profits and dividends;

(4) Companies with shared control included proportionally in consolidation;

(5) Increase in interest arising from corporate reorganization in the group;

(6) - Companies with shared control, fully included in consolidation, as authorized by CVM, in view of the business management by ITAÚ UNIBANCO;

(7) Do not include interest of Redeemable Preferred Shares (Note 10d)

(8) Increase in interest arising from ITAÚ UNIBANCO merger.

### NOTE 3 – REQUIREMENTS OF CAPITAL AND FIXED ASSET LIMITS

#### a) Basel and Fixed Asset Ratios

We present below the main indicators at December 31, 2008 of ITAÚ UNIBANCO (ITAÚ's controlling company), obtained from the non-consolidated financial statements (the initial basis for determination of the Financial System Consolidated amounts and Economic-Financial Consolidated amounts), according to present regulation, as follows:

	Financial system Consolidated (1)	Economic-financial Consolidated (2)
Referential equity (3)	66,766,103	67,994,861
Basel ratio	16.1%	16.3%
Tier I	12.3%	12.5%
Tier II	3.8%	3.8%
Fixed assets ratio (4)	39.6%	14.4%
Excess capital in relation to fixed assets	6,941,622	24,169,973

(1) Consolidated financial statements including only financial companies;

(2) Consolidated financial statements comprising all subsidiary companies, including insurance, pension and capitalization companies and those in which control is based on the sum of ownership interests by an institution, regardless of the percentage, with those of its managers, owners and related companies, as well as those directly or indirectly acquired through investment funds.

(3) The CMN, through Resolution 3,444, of February 28, 2007, determined the Referential Equity (PR) for purposes of calculating operating limits, as being the sum of both Tier I and Tier II levels, following the international experience, each of them comprising items from stockholders' equity, as well as subordinated debts and hybrid capital and debt. CMN Resolution No. 3,674, of December 30, 2008, started to permit adding to Tier I, fully, the amount of the additional provision to the minimum percentages required by CMN Resolution No. 2,682, of December 21, 1999, for loan, lease and other operations with credit characteristics.

(4) The difference between the fixed asset ratio of the financial system consolidated and the economic-financial consolidated arises from the inclusion of non-financial subsidiary companies, which provide high liquidity and low level of fixed asset ratio, with a consequent decrease in fixed asset ratio of the economic-financial consolidated amounts and enable, when necessary, the distribution of resources to the financial companies.

## NOTE 4 – SUMMARY OF THE MAIN ACCOUNTING PRACTICES

- a) **Cash and Cash Equivalents** – For purposes of Consolidated 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 to 90 days or less and securities purchased under agreements to resell - Funded position.
- b) **Short-term interbank investments, remunerated restricted credits – Brazilian Central Bank, remunerated deposits, deposits received under securities repurchase agreements, funds from acceptance and issuance of securities, borrowings and onlendings and other receivables and payables** - Transactions subject to monetary and exchange adjustment and operations with fixed charges are recorded at current value, calculated "pro rata day" based on the variation of the contracted index and interest rate.
- c) **Securities** - Recorded at cost of acquisition restated by the index and/or effective interest rate and presented in the Balance Sheet, according to BACEN Circular No. 3,068, of November 8, 2001. Securities are classified into the following categories:
- Trading securities – acquired to be actively and frequently traded, are adjusted to market value with a contra-entry to the result for the period;
  - 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 contra-entry to an account disclosed in stockholders' equity;
  - Held-to-maturity securities – securities, except for non-redeemable shares, which the bank has the financial condition and intends or is required to hold 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 adjusted up to maturity date, not being adjusted to market value.

Gains and losses on available-for-sale securities, when realized, are recognized at the trading date in the statement of income, with a contra-entry to a specific stockholders' equity account.

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

- d) **Derivative Financial Instruments** - These are classified on the date of their acquisition, according to management's intention of using them either as a hedge or not, according to BACEN Circular No. 3,082, of January 30, 2002. Transactions involving financial instruments, carried out upon the client's request, for their own account, or which do not comply with hedging criteria (mainly derivatives used to manage the overall risk exposure) are stated at market value, including realized and unrealized gains and losses, which are recorded directly in the statement of income.

The derivatives used for protection against risk exposure or to modify the characteristics of assets and liabilities which changes in market value are highly associated with those of the items being protected at the beginning and throughout the duration of the contract, and found effective to reduce the risk-related exposure being protected, are classified as a hedge, in accordance with their nature:

- - Market Value Hedge – Financial assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, which are recorded directly in the statement of income;
- - Cash Flows Hedge - The effective amount of the hedge of assets and liabilities, as well as their related financial instruments, are accounted for at their market value plus realized and unrealized gains and losses, net of tax effects, when applicable, and recorded in a specific account in stockholders' equity. The ineffective portion of hedge is recorded directly in the statement of income.

**e) Loan, Lease and Other Credit Operations (Operations with Credit Granting Characteristics)** - These transactions are recorded at present value and calculated "pro rata die" based on the variation of the contracted index, and are recorded on the accrual basis until 60 days overdue in financial companies. After the 60th day, income is recognized upon the effective receipt of installments. Credit card operations include receivables arising from purchases made by cardholders. The resources related to these amounts are included in Other Liabilities – Credit Card Operations.

**f) 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 2,682 of December 21, 1999, among which are:

- Provisions are recorded from the date loans are granted, based on the client's rating and on the periodic quality evaluation of clients and industries and not only in the event of default;
- Based exclusively on delinquency, write-offs of credit operations against loss may be carried out 360 days after the due date of the credit or 540 days for operations that mature after a period of 36 months.

**g) Other assets** - These assets are mainly comprised by assets held for sale relating to real estates available for sale, own real estate not in use or received as payment in kind, which are adjusted to market value through the set-up of a provision, according to current regulations; and prepaid expenses, corresponding to disbursements, the benefit of which will occur in future periods, and commissions paid to resellers upon granting of financing or leasing of vehicles that will be allocated to result in 2007, based on the contractual terms.

**h) Investments** - In subsidiary and affiliated companies, investments are accounted for under the equity method. The consolidated financial statements of foreign branches and subsidiaries are adapted to comply with Brazilian accounting practices and converted into reais. Other investments are recorded at cost, restated up to December 31, 1995, and adjusted to market value by setting up a provision in accordance with current standards.

**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. These assets are stated at cost of acquisition or construction, less accumulated depreciation, restated up to December 31, 1995, and adjusted, to market value until December 31, 2007, when applicable. For insurance, private pension and capitalization operations, property and equipment are adjusted to market value supported by appraisal reports. Depreciation is calculated using the straight-line method based on monetarily corrected cost, including revaluation, at the following annual rates:

Real estates in use	4 %	to	8 %
Leasehold improvements			From 10%
Installations, furniture, equipment and security, transportation and communication systems	10 %	to	25 %
EDP systems	20 %	to	50 %

**j) Operating lease** – Leased assets are stated at cost of acquisition less accumulated depreciation. 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 No. 113 of February 26, 1988 issued by the Ministry of Finance. Receivables are recorded in lease receivable at the contractual amount, with contra-entry to unearned income accounts. The recognition in income will occur on the due date of the installments.

**k) Intangible assets** – Correspond to rights purchased whose subjects are tangible assets intended for maintenance in the company or exercised for such purpose, according to CMN Resolution No. 3,642, of November 26, 2008. It is composed of rights acquired to credit payrolls and partnership agreements, amortized over the agreement terms, and software and customer portfolios, amortized over a term varying from five to ten years.

**I) Technical Provisions of Insurance, Capitalization and Pension Plans** – Technical provisions are set up according to the technical notes approved by SUSEP and criteria established by CNSP Resolution No. 120 of December 26, 2006 and amendments provided by CNSP Resolution No. 181 of December 19, 2007.

**I - Insurance:**

- Provision for unearned premiums – recognized for risks already issued, recognized to determine unearned premium period, calculated pro rata die, and for risks not yet issued, calculated based on estimates, according to an actuarial technical study;
- Provision for premium deficiency – recognized according to the Technical Actuarial Note in case of insufficient Provision for unearned premiums;
- Provision for unsettled claims – recognized based on claims of loss in an amount sufficient to cover future commitments, awaiting judicial decision, which amounts are determined by court-appointed experts and legal advisors that make assessments based on the insured amounts and technical regulations, taking into consideration the likelihood of unfavorable outcome to the insurance company;
- Provision for claims incurred but not reported (IBNR) – recognized for the estimated amount of claims occurred for risks assumed in the portfolio but not reported.

**II - Supplementary Pension Plans and Individual life insurance segments** – correspond to liabilities assumed such as retirement plans, disability, pension and annuity.

- Mathematical provisions for benefits granted and benefits to be granted – correspond to commitments assumed with participants, but which benefits are not being used, and to those receiving the benefits;
- Provision for insufficient contribution – recognized in case of insufficient mathematical provisions, computed on an actuarial basis.
- Provision for events occurred but not reported (IBNR) – recognized for the estimated amount of events occurred but not reported;
- Provision for financial surplus – recognized by the difference between the contributions daily adjusted by the Investment Portfolio and the funds guaranteeing them, according to the plan's regulation;
- Provision for financial variation – recognized according to the methodology provided for in the Technical Actuarial Note in order to guarantee that the financial assets are sufficient to cover mathematical provisions.

**III - Capitalization:**

- Mathematical provision for redemptions – represents capitalization certificates received to be redeemed;
- Provision for raffle contingencies – recognized according to the methodology provided for in the Technical Actuarial Note to cover the Provision for raffles in the event of insufficient funds.



**m) Contingent Assets and Liabilities and Legal Liabilities – Tax and Social Security:** assessed, recognized and disclosed according to the provisions set forth in CMN Resolution No. 489 of October 3, 2005.

### **I - Contingent Assets and Liabilities**

Refer to potential rights and obligations arising from past events, the occurrence of which is dependent upon future events.

- **Contingent Assets:** not recognized, except upon evidence ensuring a high reliability level of realization, usually represented by claims awarded a final and unappealable judgment and confirmation of the recoverability of the claim through receipt of amounts or offset against another liability.
- **Contingent Liabilities:** basically arise from administrative proceedings and lawsuits, inherent in the normal course of business, filed by third parties, former employees and governmental 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 recognized; possible, which are disclosed but not recognized; 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.

Escrow deposits are restated in accordance with the current legislation.

Contingencies guaranteed by indemnity clauses in privatization processes and with liquidity are only recognized upon judicial notification with simultaneous recognition of receivables, without any effect on results.

### **II - Legal Liabilities – Tax and Social Security**

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

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

**n) Taxes** - These provisions are calculated according to current legislation at the rates shown below, for effects of the related calculation bases.

Income tax	15.00%
Additional income tax	10.00%
Social contribution (1)	15.00%
PIS (2)	0.65%
COFINS (2)	4.00%
ISS	up to 5.00%

(1) As from May 1, 2008, for financial and equivalent subsidiaries, the rate was changed from 9% to 15% pursuant to articles 17 and 41 of Law No. 11,727, of June 24, 2008. For non-financial and pension plans subsidiaries, the rate remained 9%.

(2) For the non-financial subsidiaries which qualify for the non-cumulative calculation, the PIS rate is 1.65% and COFINS is 7.6%.

**o) Deferred income** – Refers to unexpired interest received in advance that is reeognized as income is earned, and the negative goodwill on acquisition of investments arising from expected future losses, which has not been absorbed in the consolidation process.

**NOTE 5 - CASH AND CASH EQUIVALENTS**

For purposes of Statement of Cash Flows, cash and cash equivalents (Note 4a) is composed of the following:

	<b>12/31/2008</b>	<b>12/31/2007</b>
Cash and cash equivalents	14,217,016	3,590,763
Interbank deposits	16,717,812	10,783,811
Securities purchased under agreements to resell – Funded position	25,479,393	19,532,094
<b>TOTAL</b>	<b>56,414,221</b>	<b>33,906,668</b>

**NOTE 6 - INTERBANK INVESTMENTS**

	<b>12/31/2008</b>			<b>12/31/2007</b>
	<b>Up to 365 days</b>	<b>Over 365 days</b>	<b>Total</b>	<b>Total</b>
<b>Money market</b>	<b>95,064,889</b>	<b>3,032,889</b>	<b>98,097,778</b>	<b>40,910,341</b>
Funded position	22,446,525	3,032,868	25,479,393	19,532,094
Financed position	71,574,095	21	71,574,116	21,017,099
Short position	1,044,269	-	1,044,269	361,148
<b>Money market - Assets Guaranteeing Technical Provisions - SUSEP</b>	<b>73,868</b>	<b>2,091,711</b>	<b>2,165,579</b>	<b>1,146,582</b>
<b>Interbank deposits</b>	<b>39,867,330</b>	<b>33,262,238</b>	<b>73,129,568</b>	<b>60,157,318</b>
<b>TOTAL</b>	<b>135,006,087</b>	<b>38,386,838</b>	<b>173,392,925</b>	<b>102,214,241</b>
<b>TOTAL - 12/31/2007</b>	<b>74,264,267</b>	<b>27,949,974</b>	<b>102,214,241</b>	

**NOTE 7 – SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)**

See below the composition by Securities and Derivatives type, maturity and portfolio already adjusted to their respective market values.

**a) Summary per maturity**

	12/31/2008										12/31/2007	
	Cost	Provision for adjustment to market value with impact on:		Market value	%	0 - 30	31 - 90	91 - 180	181 - 365	366 - 720	Over 720 days	Market value
		Results	Stockholders' equity									
<b>GOVERNMENT SECURITIES - DOMESTIC (1)</b>	<b>47,418,319</b>	<b>311,276</b>	<b>187,663</b>	<b>47,917,258</b>	<b>40.9</b>	<b>7,466,562</b>	<b>378,519</b>	<b>2,327,580</b>	<b>3,243,834</b>	<b>8,188,192</b>	<b>26,312,571</b>	<b>11,834,800</b>
Financial Treasury Bills	14,291,460	(8,835)	(2,373)	14,280,252	12.2	27,256	333,845	1,170,386	694,290	1,586,717	10,467,758	2,850,257
National Treasury Bills	14,696,417	83,762	20,944	14,801,123	12.6	7,388,657	-	843,701	2,188,226	3,848,798	531,741	5,892,476
National Treasury Notes	13,457,013	220,848	52,140	13,730,001	11.7	6,330	12,835	233,620	130,648	2,470,676	10,875,892	2,086,659
National treasury notes - M	7,697	-	-	7,697	-	-	-	7,697	-	-	-	17,535
National Treasury/Securitization	248,840	(4,950)	(18,354)	225,536	0.2	23	14,811	5,213	9,370	26,010	170,109	193,380
Brazilian External Debt Bonds	4,714,919	20,451	135,087	4,870,457	4.2	44,296	16,800	66,963	221,069	255,809	4,265,520	764,093
Other	1,973	-	219	2,192	-	-	228	-	231	182	1,551	30,400
<b>GOVERNMENT SECURITIES - ABROAD</b>	<b>5,913,451</b>	<b>73,174</b>	<b>109,492</b>	<b>6,096,117</b>	<b>5.1</b>	<b>83,468</b>	<b>99,890</b>	<b>2,780,979</b>	<b>1,955,947</b>	<b>560,442</b>	<b>615,391</b>	<b>5,285,919</b>
Portugal	297,316	-	3,783	301,099	0.3	-	-	-	266,123	34,976	-	239,995
Austria	593,237	-	(1,442)	591,795	0.5	-	-	591,795	-	-	-	1,092,206
Argentina	65,110	(11)	-	65,099	-	-	5,722	-	-	29,980	29,397	90,009
Central Bank	36,859	(10)	-	36,849	-	-	5,722	-	-	29,980	1,147	88,325
National Treasury	28,251	(1)	-	28,250	-	-	-	-	-	-	28,250	1,684
Denmark	1,110,917	-	94,053	1,204,970	1.0	9,042	-	343,491	405,677	446,760	-	369,770
Spain	1,151,084	(3,690)	(2,122)	1,145,272	1.0	-	-	1,145,272	-	-	-	1,323,210
Korea	1,234,687	(3,784)	16,453	1,247,356	1.1	-	-	295,422	951,934	-	-	1,582,881
Chile	-	-	-	-	-	-	-	-	-	-	-	45
Paraguay	397,703	(1)	-	397,702	0.3	57,803	72,366	66,773	147,077	48,714	4,969	-
United States	568,538	72,279	1,024	641,841	0.5	9,348	15,164	(1)	185,113	-	432,217	286,053
Norway	347,256	-	(2,257)	344,999	0.3	7,256	-	337,743	-	-	-	188,199
Mexico	145,736	8,422	-	154,158	0.1	19	6,628	-	-	-	147,511	40,906
Italy	-	-	-	-	-	-	-	-	-	-	-	70,223
Other	1,867	(41)	-	1,826	-	-	10	484	23	12	1,297	2,422
<b>CORPORATE SECURITIES</b>	<b>17,085,803</b>	<b>24,287</b>	<b>(409,042)</b>	<b>16,701,048</b>	<b>14.4</b>	<b>5,558,470</b>	<b>961,128</b>	<b>747,834</b>	<b>966,458</b>	<b>1,308,907</b>	<b>7,158,251</b>	<b>8,180,855</b>
Eurobonds and others	3,255,587	(1,397)	(134,756)	3,119,434	2.7	285,458	622,490	211,291	202,773	186,995	1,630,427	2,625,648
Bank Deposit Certificates	2,825,557	(1)	-	2,825,556	2.4	1,312,673	216,403	161,915	431,137	178,324	525,104	1,792,222
Shares	1,721,355	36,178	(133,246)	1,624,287	1.4	1,624,287	-	-	-	-	-	348,801
Debentures	3,296,245	(437)	(10,764)	3,285,044	2.8	21,607	58,666	224,200	168,644	764,744	2,047,183	1,256,631
Promissory Notes	119,541	-	5	119,546	0.1	119,546	-	-	-	-	-	2,555
Quotas of Funds	2,045,922	(9,558)	9,621	2,045,985	2	2,042,469	-	-	3,516	-	-	1,394,532
Fixed income	1,686,188	-	2,888	1,689,076	1.4	1,685,560	-	-	3,516	-	-	1,025,212
Credit rights	177,718	-	-	177,718	0.2	177,718	-	-	-	-	-	307,703
Other	182,016	(9,558)	6,733	179,191	0.2	179,191	-	-	-	-	-	61,617
Securitized Real Estate Loans	3,405,439	(498)	(140,722)	3,264,219	2.8	71,308	11,001	13,206	51,583	171,648	2,945,473	760,459
Others	416,157	-	820	416,977	0.4	101,122	52,568	137,222	108,805	7,196	10,064	7
<b>PGBL/VGBL FUND QUOTAS (2)</b>	<b>30,023,746</b>	<b>-</b>	<b>-</b>	<b>30,023,746</b>	<b>25.6</b>	<b>30,023,746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,664,004</b>
<b>SUBTOTAL - SECURITIES</b>	<b>100,441,319</b>	<b>408,737</b>	<b>(111,887)</b>	<b>100,738,169</b>	<b>86.0</b>	<b>43,132,246</b>	<b>1,439,537</b>	<b>5,856,393</b>	<b>6,166,239</b>	<b>10,057,541</b>	<b>34,086,213</b>	<b>43,965,578</b>
Trading securities	65,618,866	408,737	-	66,027,603	56.4	36,414,838	492,898	2,638,811	3,067,497	7,054,352	16,359,207	35,013,670
Available-for-sale securities	30,579,654	-	(111,887)	30,467,767	26.0	6,710,744	941,577	3,201,687	2,923,615	2,791,752	13,898,392	7,640,176
Held-to-maturity securities (3)	4,242,799	-	-	4,242,799	3.6	6,664	5,062	15,895	175,127	211,437	3,828,614	1,311,732
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>14,497,612</b>	<b>1,821,485</b>	<b>(52)</b>	<b>16,319,045</b>	<b>14.0</b>	<b>4,143,707</b>	<b>3,527,849</b>	<b>2,686,156</b>	<b>2,209,286</b>	<b>2,096,550</b>	<b>1,655,497</b>	<b>3,255,684</b>
<b>TOTAL SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS) - 12/31/2008</b>	<b>114,938,931</b>	<b>2,230,222</b>	<b>(111,939)</b>	<b>117,057,214</b>	<b>100.0</b>	<b>47,275,953</b>	<b>4,967,386</b>	<b>8,542,549</b>	<b>8,375,525</b>	<b>12,154,091</b>	<b>35,741,710</b>	<b>47,221,262</b>
Deferred taxes	-	-	15,386	-	-	40.4%	4.2%	7.3%	7.2%	10.4%	30.5%	-
Adjustment of subsidiaries and affiliates	-	-	7,486	-	-	-	-	-	-	-	-	-
Adjustment to market of accounting hedge	-	-	(334,946)	-	-	-	-	-	-	-	-	-
Adjustments of securities reclassified in prior years to held-to-maturity securities	-	-	20,811	-	-	-	-	-	-	-	-	-
<b>ADJUSTMENT TO MARKET VALUE - SECURITIES - Stockholders' equity</b>	<b>-</b>	<b>(403,202)</b>	<b>-</b>	<b>(403,202)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,678,016)</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES) - 12/31/2008</b>	<b>(8,254,201)</b>	<b>(4,576,249)</b>	<b>-</b>	<b>(12,830,450)</b>	<b>100.0</b>	<b>(3,290,480)</b>	<b>(2,181,209)</b>	<b>(2,105,216)</b>	<b>(1,979,654)</b>	<b>(1,268,774)</b>	<b>(2,005,117)</b>	<b>(2,678,016)</b>
Deferred taxes	-	-	21,915	-	-	-	-	-	-	-	-	-
Adjustment of subsidiaries and affiliates	-	-	(31,791)	-	-	-	-	-	-	-	-	-
Adjustments of securities reclassified in prior years to held-to-maturity securities	-	-	(6,075)	-	-	-	-	-	-	-	-	-
<b>ADJUSTMENT TO MARKET VALUE - SECURITIES - Stockholders' equity</b>	<b>-</b>	<b>44,636</b>	<b>-</b>	<b>44,636</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(480,733)</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS (LIABILITIES) - 12/31/2007</b>	<b>(2,494,930)</b>	<b>(183,086)</b>	<b>-</b>	<b>(2,678,016)</b>	<b>100.0</b>	<b>(508,670)</b>	<b>(386,196)</b>	<b>(449,358)</b>	<b>(556,095)</b>	<b>(296,964)</b>	<b>(480,733)</b>	<b>(2,678,016)</b>

(1) Includes the amount of R\$ 24,521,214 (R\$ 4,267,610 at 12/31/2007) of securities pledged in guarantee, of which: Assets Guaranteeing Technical Provisions R\$ 5,331,519 (R\$ 1,245,200 at 12/31/2007), securities linked to BACEN R\$ 9,929,881 (R\$ 402,854 at 12/31/2007) and securities deposited with the Clearing House for the Custody and Financial Settlement of Securities R\$ 9,259,813 (R\$ 2,619,556 at 12/31/2007);

(2) The PGBL and VGBL plans securities portfolios, the ownership and embedded risks of which are the customers' responsibility, are recorded as securities, as determined by SUSEP, with a contra-entry to liabilities in the Pension Plan Technical Provisions account.

(3) Unrecorded positive adjustment to market value in the amount of R\$ 168,157 (R\$ 178,082 at 12/31/2007).

## **b) 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, ITAU CONSOLIDATED and its subsidiaries operate in the derivative markets for meeting the growing needs of their clients, as well as carrying out their 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 instrument's 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 the supply of a product that better meet the needs of the client in view of its operating characteristics.

The derivative transactions carried out by ITAU CONSOLIDATED and its subsidiaries 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 is 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.

The total value of margins pledged in guarantee was R\$ 7.768.867 and was basically composed by government securities.

I - 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		Balance sheet		Market value	
	Notional Amount		account receivable /		value (in results)	
	12/31/2008	12/31/2007	(received) /	Adjustment to market	12/31/2008	12/31/2007
			(payable) / paid	value (in results)		
<b>Futures contracts</b>	<b>187,988,344</b>	<b>67,566,335</b>	<b>443,652</b>	<b>(63,755)</b>	<b>379,897</b>	<b>(70,117)</b>
<b>Purchase commitments</b>	<b>112,266,939</b>	<b>26,095,394</b>	<b>(443,710)</b>	<b>5,407</b>	<b>(438,303)</b>	<b>(373,407)</b>
Foreign currency	20,464,047	2,176,355	(187,552)	2,549	(185,003)	5,484
Interbank market	78,797,361	20,640,944	(197,021)	2,464	(194,557)	(189,908)
Indices	12,675,781	2,483,387	(59,403)	255	(59,148)	(189,025)
Securities	270,465	525,984	-	139	139	-
Commodities	59,285	-	266	-	266	-
Other	-	268,724	-	-	-	42
<b>Commitments to sell</b>	<b>75,721,405</b>	<b>41,470,941</b>	<b>887,362</b>	<b>(69,162)</b>	<b>818,200</b>	<b>303,290</b>
Foreign currency	18,563,949	5,676,444	429,121	(44,429)	384,692	(21,550)
Interbank market	39,503,063	22,976,122	(38,716)	(19,647)	(58,363)	180,279
Indices	17,090,588	11,379,807	497,296	(3,184)	494,112	144,689
Securities	464,502	1,329,288	-	(2,280)	(2,280)	-
Commodities	99,303	-	(339)	378	39	-
Other	-	109,280	-	-	-	(128)
<b>Swap contracts</b>			<b>2,351,646</b>	<b>(187,433)</b>	<b>2,164,213</b>	<b>(138,888)</b>
<b>Asset position</b>	<b>100,397,829</b>	<b>44,759,690</b>	<b>5,910,026</b>	<b>437,137</b>	<b>6,347,163</b>	<b>1,788,229</b>
Foreign currency	30,583,328	14,062,086	4,542,257	(220,591)	4,321,666	133,876
Interbank market	37,826,198	15,955,347	684,716	219,379	904,095	1,241,216
Fixed rate	22,622,072	9,708,382	149,829	359,503	509,332	239,251
Floating rate	300,126	-	88,257	(670)	87,587	-
Indices	8,373,723	4,205,949	324,811	86,103	410,914	166,275
Securities	59,827	-	14,060	607	14,667	-
Commodities	72,669	-	-	-	-	-
Other	559,886	827,926	106,096	(7,194)	98,902	7,611
<b>Liability position</b>	<b>98,046,183</b>	<b>44,980,835</b>	<b>(3,558,380)</b>	<b>(624,570)</b>	<b>(4,182,950)</b>	<b>(1,927,117)</b>
Foreign currency	29,256,776	8,172,492	(2,722,006)	(115,274)	(2,837,280)	(243,107)
Interbank market	28,216,154	20,426,882	(29,534)	(80,224)	(109,758)	(881,969)
Fixed rate	28,518,792	11,416,086	(278,761)	(404,778)	(683,539)	(563,576)
Floating rate	499,315	-	(172,027)	(2,383)	(174,410)	-
Indices	11,324,098	4,623,525	(348,370)	(20,598)	(368,968)	(237,682)
Securities	2,325	-	-	-	-	-
Commodities	72,945	-	-	-	-	-
Other	155,778	341,850	(7,682)	(1,313)	(8,995)	(783)
<b>Option contracts</b>	<b>492,025,318</b>	<b>64,401,830</b>	<b>993,328</b>	<b>(1,906,011)</b>	<b>(912,683)</b>	<b>(139,861)</b>
<b>Purchase commitments - long position</b>	<b>157,340,875</b>	<b>16,482,758</b>	<b>3,975,542</b>	<b>1,351,020</b>	<b>5,326,562</b>	<b>49,228</b>
Foreign currency	42,459,557	1,889,715	3,326,167	1,288,832	4,614,999	5,568
Interbank market	167,761	-	26,087	(24,476)	1,611	-
Indices	114,363,925	14,523,581	484,730	178,819	663,549	36,113
Securities	257,604	69,462	135,349	(91,930)	43,419	7,547
Commodities	92,028	-	3,209	(225)	2,984	-
<b>Commitments to sell - long position</b>	<b>79,211,447</b>	<b>19,335,888</b>	<b>474,321</b>	<b>239,114</b>	<b>713,435</b>	<b>170,394</b>
Foreign currency	17,646,873	108,762	344,372	(244,179)	100,193	10,670
Interbank market	204,405	-	36,730	139,644	176,374	-
Indices	61,099,820	19,117,460	74,989	321,685	396,674	157,371
Securities	91,713	109,666	14,769	20,355	35,124	2,353
Commodities	168,636	-	3,461	1,609	5,070	-
<b>Purchase commitments - short position</b>	<b>139,717,197</b>	<b>8,701,524</b>	<b>(2,565,874)</b>	<b>(1,804,282)</b>	<b>(4,370,156)</b>	<b>(168,663)</b>
Foreign currency	35,211,564	2,782,654	(1,953,056)	(1,805,148)	(3,758,204)	(27,125)
Interbank market	80,123	270,237	(18,674)	14,253	(4,421)	(28)
Indices	104,287,844	5,482,322	(575,409)	(15,789)	(591,198)	(107,928)
Securities	126,733	163,123	(18,187)	2,834	(15,353)	(33,422)
Commodities	10,933	-	(548)	(432)	(980)	-
Other	-	3,188	-	-	-	(160)
<b>Commitments to sell - short position</b>	<b>115,755,799</b>	<b>19,881,660</b>	<b>(890,661)</b>	<b>(1,691,863)</b>	<b>(2,582,524)</b>	<b>(190,820)</b>
Foreign currency	36,835,506	1,848,234	(662,119)	(1,288,081)	(1,950,200)	(35,532)
Interbank market	274,315	-	(79,849)	(141,791)	(221,640)	-
Fixed rate	-	-	-	(9,037)	(9,037)	-
Indices	78,506,990	17,920,603	(138,943)	(214,711)	(353,654)	(154,594)
Securities	134,079	112,823	(9,631)	(38,333)	(47,964)	(694)
Commodities	4,909	-	(119)	90	(29)	-
<b>Forward contracts</b>	<b>1,301,491</b>	<b>149,369</b>	<b>828,964</b>	<b>(4,706)</b>	<b>824,258</b>	<b>955,256</b>
<b>Purchase receivable</b>	<b>496,476</b>	<b>316,992</b>	<b>316,992</b>	<b>(5,029)</b>	<b>311,963</b>	<b>33,191</b>
Foreign currency	260,156	-	83,103	(4,965)	78,138	-
Securities	234,037	-	233,710	(116)	233,594	33,191
Commodities	2,283	-	179	52	231	-
<b>Purchase payable</b>	<b>4,315</b>	<b>33,188</b>	<b>(234,093)</b>	<b>(124)</b>	<b>(234,217)</b>	<b>(33,174)</b>
Foreign currency	2,525	-	(65)	36	(29)	-
Securities	-	33,188	(233,710)	(16)	(233,726)	(33,174)
Commodities	1,790	-	(318)	(144)	(462)	-
<b>Sales receivable</b>	<b>788,182</b>	<b>116,181</b>	<b>762,409</b>	<b>1,125</b>	<b>763,534</b>	<b>1,071,399</b>
Foreign currency	3,287	-	76	(35)	41	-
Fixed rate	9,995	-	194	11	205	-
Indices	-	-	-	-	-	173
Securities	774,810	116,181	762,050	1,148	763,198	1,071,226
Commodities	90	-	89	1	90	-
<b>Sales deliverable</b>	<b>12,518</b>	<b>-</b>	<b>(16,344)</b>	<b>(678)</b>	<b>(17,022)</b>	<b>(116,160)</b>
Fixed rate	12,518	-	(2,169)	49	(2,120)	-
Securities	-	-	(14,175)	(727)	(14,902)	(116,160)
<b>Credit derivatives</b>	<b>4,523,922</b>	<b>1,980,945</b>	<b>(54,575)</b>	<b>(10,920)</b>	<b>(65,495)</b>	<b>6,521</b>
<b>Asset position</b>	<b>2,717,038</b>	<b>1,821,818</b>	<b>(3,737)</b>	<b>59,279</b>	<b>55,542</b>	<b>11,007</b>
Foreign currency	102,638	115,199	423	2,660	3,083	3,865
Interbank market	-	265,695	-	-	-	674
Fixed rate	2,614,400	-	(4,160)	56,619	52,459	-
Other	-	1,440,924	-	-	-	6,468
<b>Liability position</b>	<b>1,806,884</b>	<b>159,127</b>	<b>(50,838)</b>	<b>(70,199)</b>	<b>(121,037)</b>	<b>(4,486)</b>
Foreign currency	299,256	26,580	(19,591)	(2,633)	(22,224)	(96)
Interbank market	-	47,117	-	-	-	(597)
Fixed rate	1,507,628	-	(31,247)	(67,566)	(98,813)	-
Other	-	85,430	-	-	-	(3,793)

	Memorandum Account		Balance sheet		Market value		
	Notional Amount		account		to market		
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	
<b>Forward operations</b>	<b>19,781,778</b>	<b>5,259,996</b>	<b>1,087,651</b>	<b>(51,613)</b>	<b>1,036,038</b>	<b>(33,433)</b>	
<b>Asset position</b>	<b>12,334,185</b>	<b>2,643,568</b>	<b>1,742,932</b>	<b>(13,602)</b>	<b>1,729,330</b>	<b>130,642</b>	
Foreign currency	10,682,623	1,735,772	1,707,371	(13,854)	1,693,517	122,286	
Fixed rate	820,758	171,821	26,623	252	26,875	6,578	
Floating rate	830,804	-	8,938	-	8,938	-	
Indices	-	735,975	-	-	-	1,778	
<b>Liability position</b>	<b>7,447,593</b>	<b>2,616,428</b>	<b>(655,281)</b>	<b>(38,011)</b>	<b>(693,292)</b>	<b>(164,075)</b>	
Foreign currency	6,333,657	1,642,251	(517,810)	(40,007)	(557,817)	(114,923)	
Interbank market	2,138	-	(184)	-	(184)	-	
Fixed rate	529,103	354,222	(132,816)	3,715	(129,101)	(43,663)	
Floating rate	467,400	-	(3,773)	-	(3,773)	-	
Indices	115,295	619,955	(698)	(1,719)	(2,417)	(1,510)	
Other	-	-	-	-	-	(3,979)	
<b>Forwards with target flow</b>	<b>430,656</b>	<b>-</b>	<b>(22,993)</b>	<b>(49,814)</b>	<b>(72,807)</b>	<b>-</b>	
<b>Asset position</b>	<b>22,799</b>	<b>-</b>	<b>10,362</b>	<b>(50,710)</b>	<b>(40,348)</b>	<b>-</b>	
Foreign currency	22,799	-	10,362	(50,710)	(40,348)	-	
<b>Liability position</b>	<b>407,857</b>	<b>-</b>	<b>(33,355)</b>	<b>896</b>	<b>(32,459)</b>	<b>-</b>	
Foreign currency	407,857	-	(33,355)	896	(32,459)	-	
<b>Forward target flow</b>	<b>430,656</b>	<b>-</b>	<b>(26,759)</b>	<b>3,847</b>	<b>(22,912)</b>	<b>-</b>	
<b>Asset position</b>	<b>22,799</b>	<b>-</b>	<b>10,362</b>	<b>404</b>	<b>10,766</b>	<b>-</b>	
Foreign currency	22,799	-	10,362	404	10,766	-	
<b>Liability position</b>	<b>407,857</b>	<b>-</b>	<b>(37,121)</b>	<b>3,443</b>	<b>(33,678)</b>	<b>-</b>	
Foreign currency	407,857	-	(37,121)	3,443	(33,678)	-	
<b>Swap with target flow</b>	<b>2,466,601</b>	<b>-</b>	<b>(38,118)</b>	<b>(71,709)</b>	<b>(109,827)</b>	<b>-</b>	
<b>Asset position</b>	<b>1,214,241</b>	<b>-</b>	<b>48,045</b>	<b>(14,647)</b>	<b>33,398</b>	<b>-</b>	
Foreign currency	939,348	-	48,045	(14,647)	33,398	-	
Interbank market	230,011	-	-	-	-	-	
Fixed rate	44,882	-	-	-	-	-	
<b>Liability position</b>	<b>1,252,360</b>	<b>-</b>	<b>(86,163)</b>	<b>(57,062)</b>	<b>(143,225)</b>	<b>-</b>	
Foreign currency	1,013,354	-	(84,884)	(56,385)	(141,269)	-	
Interbank market	189,481	-	(431)	(227)	(658)	-	
Fixed rate	49,525	-	(848)	(450)	(1,298)	-	
<b>Target flow swap – foreign currency</b>	<b>940,170</b>	<b>-</b>	<b>619,272</b>	<b>(127,788)</b>	<b>491,484</b>	<b>-</b>	
<b>Asset position</b>	<b>940,170</b>	<b>-</b>	<b>619,272</b>	<b>(127,788)</b>	<b>491,484</b>	<b>-</b>	
Foreign currency	677,818	-	568,497	(111,947)	456,550	-	
Interbank market	217,747	-	23,496	(10,123)	13,373	-	
Fixed rate	44,605	-	27,279	(5,718)	21,561	-	
<b>Other derivative financial instruments (*)</b>	<b>2,293,970</b>	<b>1,424,678</b>	<b>61,343</b>	<b>(284,914)</b>	<b>(223,571)</b>	<b>(1,810)</b>	
<b>Asset position</b>	<b>2,018,692</b>	<b>183,515</b>	<b>187,434</b>	<b>8,885</b>	<b>196,319</b>	<b>1,594</b>	
Foreign currency	879,888	-	164,402	334	164,736	-	
Interbank market	630,069	-	-	142	142	-	
Securities	562	-	-	119	119	-	
Other	508,173	183,515	23,032	8,290	31,322	1,594	
<b>Liability position</b>	<b>275,278</b>	<b>1,241,163</b>	<b>(126,091)</b>	<b>(293,799)</b>	<b>(419,890)</b>	<b>(3,404)</b>	
Foreign currency	2,730	1,241,163	(121,606)	(29,171)	(150,777)	(3,404)	
Indices	271,680	-	(3,815)	(264,658)	(268,473)	-	
Securities	868	-	(670)	30	(640)	-	
			<b>ASSETS</b>	<b>14,497,612</b>	<b>1,821,433</b>	<b>16,319,045</b>	<b>3,255,684</b>
			<b>LIABILITIES</b>	<b>(8,254,201)</b>	<b>(4,576,249)</b>	<b>(12,830,450)</b>	<b>(2,678,016)</b>
			<b>TOTAL</b>	<b>6,243,411</b>	<b>(2,754,816)</b>	<b>3,488,595</b>	<b>577,668</b>

**Derivative contracts mature as follows (in days):**

Clearing	0 - 30	31 - 180	181 - 365	Over 365	12/31/2008	12/31/2007
<b>Futures</b>	66,157,057	42,005,531	28,513,442	51,312,314	187,988,344	67,566,335
<b>Swaps</b>	14,644,296	31,600,699	12,555,956	35,686,852	94,487,803	43,162,415
<b>Options</b>	339,963,220	60,907,430	40,172,583	50,982,085	492,025,318	64,401,830
<b>Forwards</b>	634,048	471,275	131,308	64,860	1,301,491	149,369
<b>Credit derivatives</b>	-	2,266,835	1,175,169	1,081,918	4,523,922	1,980,945
<b>Forwards</b>	5,286,330	9,052,863	2,765,299	2,677,286	19,781,778	5,259,996
<b>Forwards with target flow</b>	305,552	88,924	36,180	-	430,656	-
<b>Forward target flow</b>	305,552	88,924	36,180	-	430,656	-
<b>Swaps with target flow</b>	23,032	323,210	419,325	400,628	1,166,195	-
<b>Target flow swap</b>	20,666	265,577	342,698	311,229	940,170	-
<b>Other</b>	98,976	582,760	439,402	1,172,832	2,293,970	1,424,678

## **II - Accounting Hedge – Cash Flow**

The purpose of ITAÚ CONSOLIDATED hedge relationship is to protect the cash flow of payment of debt interest (CDB) related to its variable interest rate risk (CDI), making the cash flow independent (prefixed) and regardless of the variations of DI Cetip Over.

To protect the future cash flow of debt against exposure to variable interest rate (CDI) on December 31, 2008, ITAÚ CONSOLIDATED negotiated DI Future agreements at BM&F BOVESPA with maturity between 2012 and 2014 in the amount of R\$ 102,469 which gave rise to adjustment to market value net of tax effects recorded in stockholders' equity of (R\$ 2,546). The hedged item totals R\$ 99,837 and matures between 2012 and 2014.

The effectiveness computed for the hedge portfolio was in conformity with the provisions of BACEN Circular No. 3,082 of January 30, 2002.

III- 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) and counterparties:

	12/31/2008										
	Futures	Swaps	Options	Forwards	Credit derivatives	Forwards	Forwards target flow	Target flow of forward	Swaps with target flow	Target flow of swap	Other
<b>BM&amp;F/Bovespa</b>	<b>179,179,089</b>	<b>1,284,374</b>	<b>472,160,594</b>	<b>737,353</b>	-	-	-	-	-	-	<b>1,381,458</b>
<b>Over-the-counter market</b>	<b>8,809,255</b>	<b>93,203,429</b>	<b>19,864,724</b>	<b>564,138</b>	<b>4,523,922</b>	<b>19,781,778</b>	<b>430,656</b>	<b>430,656</b>	<b>1,166,195</b>	<b>940,170</b>	<b>912,512</b>
Financial institutions	6,481,619	79,627,525	18,516,423	5,812	4,290,222	14,298,536	287,451	287,451	-	-	625,583
Companies	2,327,636	12,925,014	1,293,726	550,337	233,700	5,398,366	143,205	143,205	1,166,195	940,170	59,571
Individuals	-	650,890	54,575	7,989	-	84,876	-	-	-	-	227,358
<b>Total</b>	<b>187,988,344</b>	<b>94,487,803</b>	<b>492,025,318</b>	<b>1,301,491</b>	<b>4,523,922</b>	<b>19,781,778</b>	<b>430,656</b>	<b>430,656</b>	<b>1,166,195</b>	<b>940,170</b>	<b>2,293,970</b>
<b>Total 12/31/2007</b>	<b>67,566,335</b>	<b>43,162,415</b>	<b>64,401,830</b>	<b>149,369</b>	<b>1,980,945</b>	<b>5,259,996</b>	-	-	-	-	<b>1,424,678</b>

#### IV - Credit derivatives

See below the composition of the Credit Derivatives stated at notional amount and effect in calculation of Required Referential Equity.

	Credit risk amount	
	12/31/2008	12/31/2007
<b>Transferred</b>	<b>(2,126,278)</b>	<b>(1,733,199)</b>
Credit swaps whose underlying assets are:		
Securities	(2,126,278)	(1,733,199)
Total return rate whose underlying assets are:		
<b>Received</b>	<b>2,143,222</b>	<b>247,746</b>
Credit swaps whose underlying assets are:		
Securities	2,143,222	247,746
<b>Total</b>	<b>16,944</b>	<b>(1,485,453)</b>

In the period there was not occurrence of credit event related to trigger events set forth in agreements.

According to CMN Resolution No. 3,490, which became effective on July 1, 2008 (Note 3), the effect of the calculation of the Required Referential Equity amounts to R\$ 161,702.



c) Changes in adjustment to market value for the period

	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Opening balance</b>	<b>131,228</b>	<b>269,166</b>
Balance arising from ITAÚ UNIBANCO merger on 09/30/2008	(988,651)	-
Adjustments with impact on:		
Results	(1,428,074)	(79,870)
Stockholders' equity	(172,469)	(58,068)
<b>Closing balance</b>	<b>(2,457,966)</b>	<b>131,228</b>
Adjustment to market value	<u>(2,457,966)</u>	<u>131,228</u>
Trading securities	408,737	(33,429)
Available-for-sale securities	(111,887)	60,587
Derivative financial instruments (assets and liabilities)	(2,754,816)	104,070

d) Reclassification of securities (article 5 of BACEN Circular Letter No. 3,068, of 11/08/2001)

The management's Financial Risk Management Committee sets forth guidelines to classify securities.

The classification of the current portfolio of securities, as well as the securities purchased in the period, are periodically and systematically evaluated based on such guidelines.

No reclassifications or changes to the current guidelines were carried out in the period.

**NOTE 8 - LOAN, LEASE AND OTHER CREDIT OPERATIONS**

**a) Composition of the portfolio by type of operations and risk levels**

Risk levels	12/31/2008										12/31/2007
	AA	A	B	C	D	E	F	G	H	Total	Total
<b>Loan operations</b>	<b>27,612,541</b>	<b>44,318,669</b>	<b>24,769,549</b>	<b>6,595,348</b>	<b>4,833,493</b>	<b>2,252,729</b>	<b>1,441,022</b>	<b>709,643</b>	<b>4,248,161</b>	<b>116,781,155</b>	<b>45,743,424</b>
Loans and discounted trade receivables	17,124,414	26,563,698	17,777,058	5,368,812	4,167,779	1,968,908	1,301,455	612,276	3,650,285	78,534,685	32,005,414
Financing	8,240,786	13,060,680	5,928,688	854,526	464,175	117,925	91,765	74,997	518,331	29,351,873	9,813,626
Farming and agribusiness industries	577,351	1,035,009	680,359	68,164	115,319	88,722	9,968	381	27,198	2,602,471	1,223,703
Real estate financing	1,669,990	3,659,282	383,444	303,846	86,220	77,174	37,834	21,989	52,347	6,292,126	2,700,681
<b>Lease operations</b>	<b>1,368,633</b>	<b>36,625,835</b>	<b>5,865,144</b>	<b>1,699,786</b>	<b>681,161</b>	<b>331,454</b>	<b>251,928</b>	<b>205,592</b>	<b>689,664</b>	<b>47,719,197</b>	<b>28,031,915</b>
<b>Credit card operations</b>	<b>-</b>	<b>9,101,001</b>	<b>7,876,283</b>	<b>2,115,944</b>	<b>1,588,748</b>	<b>576,530</b>	<b>411,673</b>	<b>316,836</b>	<b>2,012,980</b>	<b>23,999,995</b>	<b>11,169,664</b>
<b>Advances on exchange contracts (1)</b>	<b>860,134</b>	<b>482,777</b>	<b>572,799</b>	<b>94,749</b>	<b>77,812</b>	<b>6,924</b>	<b>4,199</b>	<b>-</b>	<b>11,298</b>	<b>2,110,692</b>	<b>454,236</b>
<b>Other sundry receivables (2)</b>	<b>412,613</b>	<b>53,129</b>	<b>30,910</b>	<b>42,279</b>	<b>28,888</b>	<b>28,699</b>	<b>1,435</b>	<b>975</b>	<b>21,576</b>	<b>620,504</b>	<b>145,222</b>
<b>Total operations with credit granting characteristics</b>	<b>30,253,921</b>	<b>90,581,411</b>	<b>39,114,685</b>	<b>10,548,106</b>	<b>7,210,102</b>	<b>3,196,336</b>	<b>2,110,257</b>	<b>1,233,046</b>	<b>6,983,679</b>	<b>191,231,543</b>	<b>85,544,461</b>
<b>Endorsements and sureties (3)</b>										<b>22,199,039</b>	<b>5,170,251</b>
<b>Total with endorsements and sureties</b>	<b>30,253,921</b>	<b>90,581,411</b>	<b>39,114,685</b>	<b>10,548,106</b>	<b>7,210,102</b>	<b>3,196,336</b>	<b>2,110,257</b>	<b>1,233,046</b>	<b>6,983,679</b>	<b>213,430,582</b>	<b>90,714,712</b>
<b>Total - 12/31/2007</b>	<b>5,357,779</b>	<b>45,333,179</b>	<b>19,444,303</b>	<b>4,994,902</b>	<b>3,371,120</b>	<b>2,067,687</b>	<b>1,481,619</b>	<b>631,454</b>	<b>2,862,418</b>	<b>85,544,461</b>	

(1) Includes Advances on Exchange Contracts and Income Receivable from Advances Granted, reclassified from Liabilities - Foreign Exchange Portfolio/Other Receivables (Note 2a);

(2) Includes Securities and Credits Receivable, Debtors for Purchase of Assets and Endorsements and Sureties paid;

(3) Recorded in Memorandum Accounts.

b) By maturity and risk levels

	12/31/2008									12/31/2007	
	AA	A	B	C	D	E	F	G	H	Total	Total
<b>OVERDUE OPERATIONS (1) (2)</b>											
<b>Falling due installments</b>	-	-	<b>2,594,722</b>	<b>1,873,417</b>	<b>998,582</b>	<b>792,248</b>	<b>554,150</b>	<b>377,738</b>	<b>1,484,039</b>	<b>8,674,896</b>	<b>4,783,472</b>
01 to 60	-	-	219,260	194,634	128,291	94,331	70,134	49,767	233,216	989,633	492,112
61 to 90	-	-	99,456	90,000	58,484	45,729	32,074	23,887	93,433	443,063	209,941
91 to 180	-	-	289,819	233,306	151,631	112,735	83,375	60,307	226,155	1,157,328	571,505
181 to 365	-	-	530,130	416,674	231,967	178,834	131,205	93,468	344,466	1,926,744	984,773
Over 365	-	-	1,456,057	938,803	428,209	360,619	237,362	150,309	586,769	4,158,128	2,525,141
<b>Overdue installments</b>	-	-	<b>431,393</b>	<b>661,650</b>	<b>1,039,937</b>	<b>793,833</b>	<b>720,015</b>	<b>667,912</b>	<b>4,096,624</b>	<b>8,411,364</b>	<b>3,407,427</b>
01 to 60	-	-	431,393	661,650	610,937	224,377	130,178	79,853	341,186	2,479,574	1,018,043
61 to 90	-	-	-	-	429,000	145,742	82,939	50,353	194,344	902,378	379,225
91 to 180	-	-	-	-	-	423,714	506,898	537,706	947,495	2,415,813	1,131,924
181 to 365	-	-	-	-	-	-	-	-	2,492,939	2,492,939	837,768
Over 365	-	-	-	-	-	-	-	-	120,660	120,660	40,467
<b>Subtotal</b>	-	-	<b>3,026,115</b>	<b>2,535,067</b>	<b>2,038,519</b>	<b>1,586,081</b>	<b>1,274,165</b>	<b>1,045,650</b>	<b>5,580,663</b>	<b>17,086,260</b>	<b>8,190,899</b>
<b>NON-OVERDUE OPERATIONS</b>											
<b>Falling due installments</b>	<b>30,215,482</b>	<b>90,053,272</b>	<b>35,677,013</b>	<b>7,833,694</b>	<b>4,959,247</b>	<b>1,562,786</b>	<b>800,827</b>	<b>177,774</b>	<b>1,352,116</b>	<b>172,632,211</b>	<b>75,799,248</b>
01 to 60	7,407,998	19,705,913	15,408,275	4,118,016	2,353,002	494,062	229,822	75,503	557,462	50,350,053	22,630,495
61 to 90	2,193,129	5,288,097	2,810,625	603,130	324,785	84,154	52,169	10,179	89,951	11,456,219	4,936,484
91 to 180	5,049,840	10,754,419	4,284,728	1,030,376	573,829	170,817	109,161	19,416	161,629	22,154,215	8,081,399
181 to 365	3,937,647	15,294,388	4,611,683	980,331	647,610	239,007	142,779	24,333	187,923	26,065,701	11,028,871
Over 365	11,626,868	39,010,455	8,561,702	1,101,841	1,060,021	574,746	266,896	48,343	355,151	62,606,023	29,121,999
<b>Overdue up to 14 days</b>	<b>38,439</b>	<b>528,139</b>	<b>411,557</b>	<b>179,345</b>	<b>212,336</b>	<b>47,469</b>	<b>35,265</b>	<b>9,622</b>	<b>50,900</b>	<b>1,513,072</b>	<b>1,554,315</b>
<b>Subtotal</b>	<b>30,253,921</b>	<b>90,581,411</b>	<b>36,088,570</b>	<b>8,013,039</b>	<b>5,171,583</b>	<b>1,610,255</b>	<b>836,092</b>	<b>187,396</b>	<b>1,403,016</b>	<b>174,145,283</b>	<b>77,353,563</b>
<b>GRAND TOTAL</b>	<b>30,253,921</b>	<b>90,581,411</b>	<b>39,114,685</b>	<b>10,548,106</b>	<b>7,210,102</b>	<b>3,196,336</b>	<b>2,110,257</b>	<b>1,233,046</b>	<b>6,983,679</b>	<b>191,231,543</b>	<b>85,544,462</b>
<b>EXISTING ALLOWANCE</b>	<b>(1,248,222)</b>	<b>(896,756)</b>	<b>(1,169,529)</b>	<b>(1,053,756)</b>	<b>(2,162,309)</b>	<b>(1,597,849)</b>	<b>(1,476,970)</b>	<b>(1,232,922)</b>	<b>(6,983,679)</b>	<b>(17,821,992)</b>	<b>(7,502,883)</b>
Minimum allowance required (3)	-	(452,907)	(391,147)	(316,443)	(721,010)	(958,901)	(1,055,129)	(863,132)	(6,983,679)	(11,742,348)	(5,573,620)
Additional allowance (4)	(1,248,222)	(443,849)	(778,382)	(737,313)	(1,441,299)	(638,948)	(421,841)	(369,790)	-	(6,079,644)	(1,929,263)
<b>TOTAL 12/31/2007</b>	<b>5,357,779</b>	<b>45,333,179</b>	<b>19,444,303</b>	<b>4,994,902</b>	<b>3,371,120</b>	<b>2,067,687</b>	<b>1,481,619</b>	<b>631,454</b>	<b>2,862,418</b>	<b>85,544,461</b>	
<b>EXISTING ALLOWANCE</b>	-	<b>(226,666)</b>	<b>(201,795)</b>	<b>(498,991)</b>	<b>(1,010,999)</b>	<b>(1,033,637)</b>	<b>(1,036,986)</b>	<b>(631,391)</b>	<b>(2,862,418)</b>	<b>(7,502,883)</b>	

(1) Operations with overdue installments for more than 14 days or under responsibility of bankruptcy or in process of bankruptcy companies;

(2) The balance of non-accrual operations amounts to R\$ 10,600,424 (R\$ 4,906,385 at 12/31/2007);

(3) The policy of not using "AA" rating for individuals was maintained. As a consequence, all loan operations with clients classified in this segment are charged by recording a provision upon the granting of loan;

(4) According to BACEN's request, it is classified into risk level to show the additional amounts determined through the use of statistic at models for evaluating the portfolios in the event of stress in the economic scenario.

**c) By business sector**

	12/31/2008	12/31/2007
<b>Public Sector</b>	<b>1,124,330</b>	<b>67,641</b>
<b>Private Sector</b>	<b>190,107,213</b>	<b>85,476,820</b>
<b>Company</b>	<b>93,717,976</b>	<b>28,547,186</b>
Industry and Commerce	50,700,768	17,243,574
Services	31,136,668	8,491,585
Primary Sector	8,304,075	1,671,835
Other	3,576,465	1,140,192
<b>Individuals</b>	<b>96,389,237</b>	<b>56,929,634</b>
<b>Grand Total</b>	<b>191,231,543</b>	<b>85,544,461</b>

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

	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Opening balance</b>	<b>(7,502,883)</b>	<b>(7,146,077)</b>
Balance arising from ITAÚ UNIBANCO merger on 09/30/2008	(4,394,655)	-
Net increase	(12,451,229)	(6,459,830)
Minimum required by Resolution No. 2,682/99	(8,300,848)	(6,074,839)
Additional	(4,150,381)	(384,991)
Write-offs	6,526,775	6,103,024
<b>Closing balance</b>	<b>(17,821,992)</b>	<b>(7,502,883)</b>
Minimum allowance required (Note 4e)	(11,742,348)	(5,573,620)
Additional allowance (*)	(6,079,644)	(1,929,263)

(\*) Refers to the additional provision to the minimum percentage required by CMN Resolution No. 2,682, of December 21, 1999, recognized within the prudential criteria by Management and in conformity the good banking practice, in order to enable the absorption of possible increases in default arising from a strong reversal in the economy cycle, quantified in view of the historic performance of loan portfolios in economy crisis situations.

Historically ITAÚ UNIBANCO 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.

At December 31, 2008, the balance of the allowance for loan losses in relation to the loan portfolio is equivalent to 9.3% (8.8% at 12/31/2007).

**e) Recovery and renegotiation of credits**

I- In the period, credits amounting to R\$ 1,307,069 (R\$ 1,045,601 from 01/01 to 12/31/2007) that had been written-off to the allowance for loan losses account were recovered.

II - At 12/31/2008, the balance of renegotiated credits totaled R\$ 5,130,786 (R\$ 2,916,928 at 12/31/2007) and the related allowance for loan losses totaled R\$ 2,498,424 (R\$ 1,524,832 at 12/31/2007).

**f) Credit assignments**

Until September 30, 2008, credit assignments without joint liability were carried out with the subsidiary Itaú Cia Securitizadora Créditos Financeiros related to those operations with remote chances of recoverability, according to management. This portfolio, in the amount of R\$ 2,708,686, fully provided for, was realized for the amount of R\$ 436,069, in accordance with the appraisal report, in conformity with CMN Resolution No. 2,836 of 05/30/2001. The operation did not affect the consolidated result.

**NOTE 9 - FOREIGN EXCHANGE PORTFOLIO**

	<b>12/31/2008</b>	<b>12/31/2007</b>
<b>ASSETS - OTHER RECEIVABLES</b>	<b>42,474,881</b>	<b>17,888,508</b>
Exchange purchase pending settlement - foreign currency	25,093,385	8,898,440
Bills of exchange and term documents - foreign currency	109	330
Exchange sale rights - local currency	17,619,951	9,038,756
(-) Advances received – local currency	(238,564)	(49,018)
<b>LIABILITIES - OTHER LIABILITIES (Note 2a)</b>	<b>42,341,334</b>	<b>17,958,861</b>
Exchange sales pending settlement - foreign currency	27,726,820	8,507,630
Liabilities from purchase of foreign currency - local currency	14,609,662	9,449,442
Other	4,852	1,789
<b>MEMORANDUM ACCOUNTS</b>	<b>354,936</b>	<b>71,802</b>
Outstanding import credits - foreign currency	341,449	60,879
Confirmed export credits - foreign currency	13,487	10,923

## NOTE 10 - FUNDING AND BORROWINGS AND ONLENDING

### a) Summary

	12/31/2008			12/31/2007
	Up to 365 days	Over 365 days	Total	Total
Deposits	119,778,952	84,181,488	203,960,440	102,958,558
Deposits received under securities repurchase agreements	82,408,253	50,079,803	132,488,056	66,041,360
Funds from acceptances and issuance of securities	8,335,759	8,274,392	16,610,151	6,877,449
Borrowings and onlending	12,310,450	13,833,212	26,143,662	5,737,778
Securitization of foreign payment orders (1)	215,500	3,613,233	3,828,733	1,109,575
Subordinated debt (2)	1,261,411	21,985,289	23,246,700	12,083,125
<b>TOTAL</b>	<b>224,310,325</b>	<b>181,967,417</b>	<b>406,277,742</b>	<b>194,807,845</b>
<b>TOTAL - 12/31/2007</b>	<b>126,156,776</b>	<b>68,651,069</b>	<b>194,807,845</b>	

(1) Funds obtained abroad through the sale to Brazilian Diversified Payment Rights Finance Company of rights related to payment orders received abroad;

(2) Includes R\$ 930,575 (R\$ 707,842 at 12/31/2007) of Redeemable Preferred Shares classified under Minority Interest in the Balance Sheet.

### b) Funds from acceptances and issuance of securities

	12/31/2008			12/31/2007
	Up to 365 days	Over 365 days	Total	Total
<b>REAL ESTATE, MORTGAGE, CREDIT AND SIMILAR NOTES</b>	<b>6,248,274</b>	<b>841,118</b>	<b>7,089,392</b>	<b>282,250</b>
<b>DEBENTURES</b>	<b>127,489</b>	<b>4,194,108</b>	<b>4,321,597</b>	<b>4,139,203</b>
<b>FOREIGN BORROWINGS AND SECURITIES</b>	<b>1,959,996</b>	<b>3,239,166</b>	<b>5,199,162</b>	<b>2,455,996</b>
<b>Trade Related - Issued abroad - Structure Note Issued</b>	<b>180,502</b>	<b>205,345</b>	<b>385,847</b>	<b>759,911</b>
<b>Non-trade Related</b>	<b>1,779,494</b>	<b>3,033,821</b>	<b>4,813,315</b>	<b>1,696,085</b>
Issued in Brazil - Fixed Rate Notes	67,557	18,577	86,134	2,013
Issued abroad	1,711,937	3,015,244	4,727,181	1,694,072
Brazil Risk Note Programme	283,184	712,223	995,407	195,762
Euronotes	-	-	-	208,307
Fixed Rate Notes	-	1,720,979	1,720,979	1,290,003
Other	1,428,753	582,042	2,010,795	-
<b>TOTAL</b>	<b>8,335,759</b>	<b>8,274,392</b>	<b>16,610,151</b>	<b>6,877,449</b>
<b>TOTAL - 12/31/2007</b>	<b>2,585,304</b>	<b>4,292,145</b>	<b>6,877,449</b>	

c) Borrowings and onlending

	12/31/2008			12/31/2007
	Up to 365 days	Over 365 days	Total	Total
<b>BORROWINGS</b>	<b>7,976,008</b>	<b>4,573,982</b>	<b>12,549,990</b>	<b>3,085,240</b>
Domestic	248,568	11,990	260,558	251,160
Foreign (*)	7,727,440	4,561,992	12,289,432	2,803,158
Assumption of obligations	-	-	-	30,922
<b>ONLENDING</b>	<b>4,334,442</b>	<b>9,259,230</b>	<b>13,593,672</b>	<b>2,652,538</b>
Domestic - official institutions	<u>4,302,882</u>	<u>8,937,057</u>	<u>13,239,939</u>	<u>2,044,914</u>
BNDES	1,657,659	3,601,632	5,259,291	625,888
FINAME	2,525,767	5,086,055	7,611,822	1,410,400
Other	119,456	249,370	368,826	8,626
Foreign	31,560	322,173	353,733	607,624
<b>TOTAL</b>	<b>12,310,450</b>	<b>13,833,212</b>	<b>26,143,662</b>	<b>5,737,778</b>
<b>TOTAL - 12/31/2007</b>	<b>2,681,432</b>	<b>3,056,346</b>	<b>5,737,778</b>	

(\*) Foreign borrowings are basically represented by foreign exchange transactions related to export pre-financing and import financing.

**d) Subordinated debt**

Funding obtained through issuance of subordinated debt, in accordance with the conditions determined by CMN Resolution No. 3,444, of February 28, 2007, and amendments established by CMN Resolution No. 3,532, of January 31, 2008, is as follows:

	12/31/2008			12/31/2007
	Up to 365 days	Over 365 days	Total	Total
CDB	1,203,196	18,277,560	19,480,756	9,963,119
Debentures	-	-	-	620,600
Euronotes	27,262	1,166,525	1,193,787	791,564
Eurobonds	18,987	1,622,595	1,641,582	-
<b>TOTAL OTHER LIABILITIES</b>	<b>1,249,445</b>	<b>21,066,680</b>	<b>22,316,125</b>	<b>11,375,283</b>
Redeemable preferred shares	11,966	918,609	930,575	707,842
<b>GRAND TOTAL</b>	<b>1,261,411</b>	<b>21,985,289</b>	<b>23,246,700</b>	<b>12,083,125</b>
<b>TOTAL - 12/31/2007</b>	<b>2,076,700</b>	<b>10,006,425</b>	<b>12,083,125</b>	

*Description*

Name of security	Issue	Maturity	Principal
Subordinated CDB	December 2002	December 2009	850,000
Subordinated CDB	March 2007	April 2012	5,000,000
Subordinated CDB	March 2007	March 2014	1,804,500
Subordinated CDB	November 2007	November 2012	300,000
Subordinated CDB	January 2008	February 2013	880,000
Subordinated CDB	February 2008	February 2013	1,256,000
Subordinated CDB	November 2008	October 2014	1,000,000
Subordinated CDB (1)	December 2002	December 2012	220,000
Subordinated CDB (2)	November 2003	November 2013	40,000
Subordinated CDB (3)	December 2006	December 2016	500,000
Subordinated CDB (4)	March 2007	March 2012	1,406,000
Subordinated CDB (4)	July 2007	July 2012	422,000
Subordinated CDB (4)	August 2007	August 2012	200,000
Subordinated CDB (4)	August 2007	August 2014	50,000
Subordinated CDB (4)	October 2007	October 2012	290,850
Subordinated CDB (4)	October 2007	October 2012	93,000
Subordinated CDB (4)	October 2007	October 2014	33,200
Subordinated CDB (4)	October 2007	October 2012	450,000
Subordinated CDB (4)	December 2007	December 2014	10,000
Subordinated CDB (4)	1st quarter of 2008	1st quarter of 2013	817,310
Subordinated CDB (4)	1st quarter of 2008	2nd quarter of 2013	38,000
Subordinated CDB (4)	2nd quarter of 2008	2nd quarter of 2013	10,400
Subordinated CDB (4)	3rd quarter of 2008	3rd quarter of 2015	400,000
Subordinated credit facility (5)	December 2004	December 2009	350,550
Subordinated Euronotes	2nd quarter of 2001	August 2011	457,465
Subordinated Euronotes	August 2001	August 2011	625,008
Eurobonds -Step-up subordinated callable notes (6)	December 2003	December 2013	467,400
Eurobonds -Perpetual Non-cumulative Junior Subordinated Securities (7)	July 2005	Not determined	1,186,008
Preferred shares	December 2002	March 2015	1,388,841

(1) Subordinated CDBs may be redeemed from December 2007.

(2) Subordinated CDBs may be redeemed from November 2008.

(3) Subordinated CDBs may be redeemed from November 2011.

(4) Subordinated CDBs may not be redeemed in advance.

(5) The debt may not be redeemed in advance. The return is calculated by using the Libor rate plus 2%, adjusted every six-month

(6) The debt may not be fully redeemed in December 2008 or at each subsequent interest payment. The return from the fifth year will stand at 9.375% p.a.

(7) The debt may be fully redeemed only at the option of the issuer from July 29, 2010 or at each subsequent payment.



**NOTE 11 - INSURANCE, PENSION PLAN AND CAPITALIZATION OPERATIONS**

	INSURANCE		LIFE INSURANCE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Mathematical provision of benefits to be granted and benefits granted	34,866	6,745	33,678,031	20,116,639	-	-	33,712,897	20,123,384
Unearned premiums	1,816,689	850,653	324,376	270,307	-	-	2,141,065	1,120,960
Mathematical provision for redemptions	-	-	-	-	2,031,907	1,075,630	2,031,907	1,075,630
Raffle contingency	-	-	-	-	41,294	43,761	41,294	43,761
Unsettled claims (1)	1,300,804	543,315	90,922	77,606	-	-	1,391,726	620,921
Financial surplus	2,042	1,802	374,296	322,931	-	-	376,338	324,733
IBNR (1)	440,211	146,288	50,038	27,864	-	-	490,249	174,152
Financial variation	528	-	112,876	94,475	-	-	113,404	94,475
Premium deficiency	125,040	75,186	70,851	12,373	-	-	195,891	87,559
Health care (2)	59,032	44,090	-	-	-	-	59,032	44,090
Other (1)	66,008	31,096	70,851	12,373	-	-	136,859	43,469
Insufficient contribution (1)	-	-	370,488	60,532	-	-	370,488	60,532
Other (1)	486,455	18,483	194,894	79,923	25,371	7,586	706,720	105,992
<b>TOTAL</b>	<b>4,206,635</b>	<b>1,642,472</b>	<b>35,266,772</b>	<b>21,062,650</b>	<b>2,098,572</b>	<b>1,126,977</b>	<b>41,571,979</b>	<b>23,832,099</b>

(1) Adjustments to technical provisions for insurance and pension plan arising from the merger of ITAU and UNIBANCO totaled R\$ 291,937, as follows: IBNR amounting to R\$ 22,531, Provision for unsettled claims amounting to R\$ 86,752, Provision for premium deficiency amounting to R\$ 55,204, Provision for contribution deficiency amounting to R\$ 99,000, and Provision for administrative expenses amounting to R\$ 28,450.

(2) The provision for Premium Deficiency is calculated in accordance with the criteria established by the regulatory body and the technical actuarial note which establishes a provision for risk coverage for the next 12 months.

## b) Assets Guaranteeing Technical Provisions - SUSEP

	INSURANCE		LIFE INSURANCE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
<b>Interbank investments - Money market</b>	<b>565,181</b>	<b>401,901</b>	<b>839,396</b>	<b>300,366</b>	<b>761,002</b>	<b>444,315</b>	<b>2,165,579</b>	<b>1,146,582</b>
<b>Securities and derivative financial instruments</b>	<b>2,697,767</b>	<b>969,897</b>	<b>33,894,248</b>	<b>20,554,127</b>	<b>1,377,653</b>	<b>701,617</b>	<b>37,969,668</b>	<b>22,225,641</b>
PGBL/VGBL FUND QUOTAS (1)	-	-	30,023,746	18,664,004	-	-	30,023,746	18,664,004
Other securities	<u>2,697,767</u>	<u>969,897</u>	<u>3,870,502</u>	<u>1,890,123</u>	<u>1,377,653</u>	<u>701,617</u>	<u>7,945,922</u>	<u>3,561,637</u>
Government	1,711,911	337,160	2,827,666	886,036	743,440	22,005	5,283,017	1,245,201
Private	985,856	632,737	1,042,836	1,004,087	634,213	679,612	2,662,905	2,316,436
<b>Credit rights (2)</b>	<b>1,746,230</b>	<b>263,500</b>	<b>277,991</b>	<b>229,844</b>	-	-	<b>2,024,221</b>	<b>493,344</b>
<b>Escrow deposits for claims</b>	<b>34,610</b>	-	<b>92,568</b>	-	-	-	<b>127,178</b>	-
<b>TOTAL</b>	<b>5,043,788</b>	<b>1,635,298</b>	<b>35,104,203</b>	<b>21,084,337</b>	<b>2,138,655</b>	<b>1,145,932</b>	<b>42,286,646</b>	<b>23,865,567</b>

(1) The PGBL and VGBL plans securities portfolios, the ownership and embedded risks of which are the customers' responsibility, are recorded as securities, as determined by SUSEP, with a contra-entry to liabilities in the Pension Plan Technical Provisions account.

(2) Recorded under Other receivables - Insurance premiums receivable.

## c) Results of Operations

	INSURANCE		LIFE INSURANCE AND PENSION PLAN		CAPITALIZATION		TOTAL	
	01/01 to	01/01 to	01/01 to 12/31/2008	01/01 to 12/31/2007	01/01 to	01/01 to	01/01 to	01/01 to
	12/31/2008	12/31/2007			12/31/2008	12/31/2008	12/31/2008	12/31/2007
<b>Income from financial operations</b>	<b>201,530</b>	<b>150,194</b>	<b>219,462</b>	<b>145,678</b>	<b>58,967</b>	<b>73,797</b>	<b>479,959</b>	<b>369,669</b>
Financial income from insurance, pension plan and capitalization operations	239,549	150,611	1,924,709	1,908,384	157,118	151,275	2,321,376	2,210,270
Financial expenses from insurance, pension plan and capitalization operations	(38,019)	(417)	(1,705,247)	(1,762,706)	(98,151)	(77,478)	(1,841,417)	(1,840,601)
<b>Results of operations from insurance, pension plan and capitalization</b>	<b>619,142</b>	<b>552,977</b>	<b>304,828</b>	<b>396,289</b>	<b>380,755</b>	<b>269,677</b>	<b>1,304,725</b>	<b>1,218,943</b>
Adjustments arising from ITAÚ UNIBANCO merger	(136,621)	-	(155,316)	-	-	-	(291,937)	-
Recurring result of operations	<u>755,763</u>	<u>552,977</u>	<u>460,144</u>	<u>396,289</u>	<u>380,755</u>	<u>269,677</u>	<u>1,596,662</u>	<u>1,218,943</u>
Premiums and contributions	3,373,028	2,274,890	6,934,549	5,555,749	1,352,494	882,003	11,660,071	8,712,642
Changes in technical provisions	(179,873)	(82,562)	(6,239,142)	(4,964,828)	(715,222)	(588,537)	(7,134,237)	(5,635,927)
Expenses for claims	(1,781,672)	(1,259,192)	(190,128)	(161,653)	-	-	(1,971,800)	(1,420,845)
Selling expenses	(639,087)	(366,612)	(33,781)	(28,888)	(6,660)	(1,606)	(679,528)	(397,106)
Expenses for benefits and redemptions	-	-	(10,135)	(6,780)	(255,612)	(18,562)	(265,747)	(25,342)
Other income and expenses	(16,633)	(13,547)	(1,219)	2,689	5,755	(3,621)	(12,097)	(14,479)
<b>TOTAL</b>	<b>820,672</b>	<b>703,171</b>	<b>524,290</b>	<b>541,967</b>	<b>439,722</b>	<b>343,474</b>	<b>1,784,684</b>	<b>1,588,612</b>

## NOTE 12 - CONTINGENT ASSETS AND LIABILITIES AND LEGAL LIABILITIES – TAX AND SOCIAL SECURITY

ITAÚ and its subsidiaries are involved in contingencies in the ordinary course of their businesses, as follows:

a) **Contingent Assets:** there are no contingent assets recorded.

b) **Contingent Liabilities:** these are estimated and classified as follows:

- **Calculation criteria:**

Civil lawsuits: quantified upon judicial notification, and adjusted monthly:

- Collective (lawsuits related to claims considered similar and usual and the amounts of which are not considered significant): according to the statistical references per group of lawsuits, type of legal body (Small Claims Court or Regular Court) and claimant; or
- Individual (lawsuits related to claims considered unusual and the amounts of which are considered significant): at the claimed indemnity amount, based on the evidence presented and on the evaluation of legal advisors which considers case law, legal opinions raised, evidence produced in the records and the judicial decisions already issued – relating to the risk level of loss of lawsuits.

These are adjusted to the amounts deposited as guarantee for their execution or to the definitive execution amount (indisputable amount) when the claim is awarded a final and unappealable judgment.

Labor claims: these are calculated upon judicial notification and adjusted monthly by the moving average of payment of lawsuits closed in the last 12 months plus the average cost of fees paid for lawsuits related to claims considered similar and usual and adjusted to the execution amount (indisputable amount) when it is in the stage of being a final and unappealable decision.

Tax and social security lawsuits: calculated upon judicial notification of administrative proceedings based on their monthly adjusted amounts.

Other risks: calculated mainly based on the assessment of credit risk on joint obligations.

- **Contingencies classified as probable:** are recognized in the accounting books and comprise Civil Lawsuits demanding compensation for property damage and pain and suffering, such as protest of bills, return of checks, and inclusion of information in the credit protection registry, most of these actions being filed in the Small Claims Court and therefore limited to 40 minimum monthly wages; Labor Claims seeking the recovery of alleged labor rights based on labor legislation specific to the related profession, such as overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement and other; Tax and Social Security represented mainly by lawsuits and administrative proceedings involving federal and municipal taxes; and Other Risks represented basically by the joint obligation for securitized rural loans.

The table below shows the changes in the respective provisions for contingent liabilities and the respective escrow deposits balances:

Change in provision for contingent liabilities	01/01 to 12/31/2008					01/01 to 12/31/2007
	Civil	Labor	Tax and social security	Other	Total	Total
<b>Opening balance</b>	<b>1,222,876</b>	<b>1,749,689</b>	<b>527,946</b>	<b>96,603</b>	<b>3,597,114</b>	<b>2,853,587</b>
Balance arising from ITAÚ UNIBANCO merger on 09/30/2008	580,765	898,363	1,054,191	2,385	2,535,704	-
(-) Contingencies guaranteed by indemnity clauses (Note 4m I)	(44,633)	(601,484)	(10,174)	-	(656,291)	(578,233)
<b>Subtotal</b>	<b>1,759,008</b>	<b>2,046,568</b>	<b>1,571,963</b>	<b>98,988</b>	<b>5,476,527</b>	<b>2,275,354</b>
Changes in the period reflected in results (Notes 13f and 13i)	<u>888,629</u>	<u>663,729</u>	<u>1,241,121</u>	<u>72,613</u>	<u>2,866,092</u>	<u>1,579,646</u>
Restatements/Charges	53,051	66,461	308,844	-	428,356	196,174
Increase	964,297	737,019	952,438	72,613	2,726,367	1,637,446
Write-offs through reversal	(128,719)	(139,751)	(20,161)	-	(288,631)	(253,974)
Payments	(662,183)	(325,157)	(28,291)	-	(1,015,631)	(876,376)
<b>Subtotal</b>	<b>1,985,454</b>	<b>2,385,140</b>	<b>2,784,793</b>	<b>171,601</b>	<b>7,326,988</b>	<b>2,978,624</b>
(+) Contingencies guaranteed by indemnity clauses (Note 4m I)	125,528	551,139	15,784	-	692,451	618,490
<b>Closing balance (Note 13c)</b>	<b>2,110,982</b>	<b>2,936,279</b>	<b>2,800,577</b>	<b>171,601</b>	<b>8,019,439</b>	<b>3,597,114</b>
Escrow deposits at 12/31/2008 (Note 13a)	828,464	1,271,018	531,070	-	2,630,552	-
Escrow deposits at 12/31/2007 (Note 13a)	470,664	1,071,863	323,125	-	1,865,652	-

- **Contingencies classified as possible:** not recognized in the accounting books and comprise Civil Lawsuits amounting to R\$ 204,733 and Tax and Social Security Lawsuits amounting to R\$ 2,186,851, and the principal characteristics of these lawsuits are described below:

- Deductibility of goodwill in purchase of investments – R\$ 192,190: assessment notices that discuss the deduction of goodwill of merged companies;

- Deductibility of losses in receipt of loans - R\$ 171,208: assessment notice issued because inspection authorities understood that discounts granted in renegotiation are nondeductible;
- Levy of social security contributions on non-compensatory amounts – R\$ 160,802: administrative and court discussion on the portions that, according to the company's understanding, are not part of contribution salary for social security tax purposes;
- ISS – Banking Institutions – R\$ 294,917: refers to tax assessments notices issued by municipalities for collection of ISS on amounts recorded in several accounts, on the grounds of being service revenue. An administrative final decision or tax foreclosure is pending;
- Dismissal of offset request – R\$ 135,112: Offset requests which were not validated due to formal issues or alleged lack of evidence of the credit. Issue discussed in the administrative level, in which the company stated its defense and exhibited documentation evidencing the credit;
- Assessment notices about the Declaration of Federal Contributions and Taxes (DCTF) – R\$ 131,542: electronic assessment notices issued by the Federal Revenue Service challenged at the administrative level, in which the submitted documentation is being analyzed;
- Apportionment of Net Assets by Book Value – R\$ 125,082: refers to the tax assessment notice issued due to the deduction of capital loss computed in the winding-up and liquidation of investments. Awaiting Court's decision;
- Criteria for taxation of income abroad - R\$ 67,611: assessment notices on which inspection authorities are discussing the criteria for determining tax basis and taxable event;
- Offset of tax loss of companies merged without the 30% limitation – R\$ 64,223: assessment notice which discusses the application of a 30% limit when offsetting tax loss carryforwards, in case of merger of company;
- ITR (Rural Land Tax) - R\$ 60,710: refers to ITR charges related to farms, which were received as payment in kind, with arbitrage of tax basis, because there is no evidence that a scrap of the land is legal reserve;
- Levy of ISS on leasing operations – R\$ 56,273: tax assessment notices and/or tax foreclosures of municipalities that allege the levy of ISS on leasing operations in their territories.

The amount of R\$ 1,763,977 (R\$ 1,125,881 at 12/31/2007) related to Securities, the amount of R\$ 2,349,433 (R\$ 1,105,177 at 12/31/2007) (Note 13a) of deposits, as well as Permanent Assets in the amount of R\$ 737,161 (R\$ 961,112 at 12/31/2007), according to article 32 of Law No. 10,522/02, are pledged in guarantee of voluntary appeals related to contingent liabilities lawsuits. As a result of the unconstitutionality lawsuit No. 1,976, the Federal Supreme Court ruled unconstitutional the requirement of guarantees for considering voluntary appeals on April 10, 2007. The Bank is requesting the cancellation of the pledging of guarantees to the Federal Revenue Service.

The Receivables balance arising from reimbursements of contingencies totals R\$ 1,226,796 (R\$ 565,203 at 12/31/2007) (Note 13a), basically represented by the guarantee in the Banerj privatization process occurred in 1997, in which the State of Rio de Janeiro created a fund to guarantee the equity recomposition from losses on Civil, Labor and Tax Contingencies.

c) **Legal Liabilities - Tax and Social Security and Escrow Deposits for filing Legal Processes – recognized at the full amount being questioned and respective escrow deposits, as follows:**

<b>Change in legal liabilities</b>	<b>01/01 to 12/31/2008</b>	<b>01/01 to 12/31/2007</b>
<b>Opening balance</b>	<b>4,615,979</b>	<b>3,233,399</b>
Balance arising from ITAÚ UNIBANCO merger on 09/30/2008	2,644,071	-
Change in the period reflected in results	<u>644,394</u>	<u>1,394,258</u>
Charges on taxes	441,048	271,279
Net increase	923,347	1,132,260
Write-offs through reversal (*)	(720,001)	(9,281)
Payments	(82,968)	(11,678)
<b>Closing balance (Note 14c)</b>	<b>7,821,476</b>	<b>4,615,979</b>
<b>Probability of loss</b>		
Probable	1,478,771	949,405
Possible	448,024	289,478
Remote	5,894,681	3,377,096

(\*) Refers basically to the Reversal of Provision for CPMF on Lease Operations.

<b>Change in escrow deposits</b>	<b>01/01 to 12/31/2008</b>	<b>01/01 to 12/31/2007</b>
<b>Opening balance</b>	<b>2,497,331</b>	<b>2,044,326</b>
Balance arising from ITAÚ UNIBANCO merger on 09/30/2008	676,981	-
Appropriation of income	211,813	171,498
Changes in the period	<u>457,254</u>	<u>281,507</u>
Deposited	491,490	285,543
Withdrawals	(34,236)	(4,036)
<b>Closing balance (Note 13a)</b>	<b>3,843,379</b>	<b>2,497,331</b>

The main natures of processes are described as follows:

- PIS and COFINS X Law No. 9,718/98 - R\$ 4,785,293 – Assert the right of paying contributions to PIS and COFINS on revenue, not adopting the provisions of Article 3, paragraph 1, of Law No. 9,718/98, which established the inappropriate extension of the calculation bases of these contributions. The corresponding escrow deposit totals R\$ 834,939;
- IRPJ and CSLL X Profit Earned Abroad - R\$ 400,369. Aimed at rejecting the requirement set forth by Regulatory Instruction No. 213/02, in view of its illegality, determining the inclusion of equity in earnings in the calculation of taxable income and the CSLL calculation basis, including that from disposal of investment abroad. The corresponding escrow deposit totals R\$ 330,233;
- PIS X Constitutional Amendments Nos. 10/96 (January 1996 to June 1996) and 17/97 (July 1997 to February 1998) - R\$ 381,807 – Aimed at rejecting the levy of PIS based on principles of anteriority over 90 days and non-retroactivity of Constitutional Amendments Nos. 10/96 and 17/97, and nonexistence of legislation for this period. Successively, aimed at paying PIS over the mentioned period based on Supplementary Law No. 7/70. The corresponding escrow deposit totals R\$ 70,234;
- CSLL X Equality - R\$ 384,292 – Assert the right of paying CSLL at 8%, applicable to companies in general, according to the heading of Article 19 of Law No. 9,249 of December 26, 1995, rejecting the provisions of paragraph 1 therein, which sets forth a differentiated rate (18%) for financial institutions, in view of the infraction to the principle of equality. The corresponding escrow deposit totals R\$ 219,778;
- INSS X Supplementary Law No. 84/96 and Additional rate of 2.5% - R\$ 251,174 – Aimed at rejecting the levy of social security contribution at 15%, as well as an additional rate of 2.5%, on compensation paid to service providers that are individuals and managers, set forth by Supplementary Law No. 84/96, in view of its unconstitutionality, as this contribution has the same taxable year and income tax calculation basis, going against the provisions of Articles 153, item III, 154, item I, 156, item III and 195, paragraph 4, of Federal Constitution. The corresponding escrow deposit totals R\$ 208,584.

According to the opinion of the legal advisors, ITAÚ and its subsidiary companies are not involved in any other administrative proceedings or lawsuits that may significantly affect the results of their operations. The combined evaluation of all existing provisions for all contingent liabilities and legal obligations, which are recognized through the adoption of statistical models for claims involving small amounts and separate analysis by internal and external legal advisors of other cases, showed that the amounts provided for are sufficient, according to the CMN Resolution No. 3,535 of January 31, 2008.

## NOTE 13 - BREAKDOWN OF ACCOUNTS

### a) Other sundry receivables

	12/31/2008	12/31/2007
Deferred tax assets (Note 14b I)	24,965,536	5,741,427
Social contribution for offset (Note 14b I)	1,290,729	920,545
Taxes and contributions for offset	3,267,836	1,490,384
Escrow deposits in guarantee for provision for contingent liabilities (Note 12b)	<u>4,979,985</u>	<u>2,970,829</u>
Contingencies classified as probable	2,630,552	1,865,652
Contingencies classified as possible	2,349,433	1,105,177
Escrow deposits for legal liabilities - tax and social security (Note 12c)	3,843,379	2,497,331
Escrow deposits for foreign fund raising program	981,583	454,434
Receivables from reimbursement of contingent liabilities (Note 12b)	1,226,796	565,203
Receivables from the sale of the Credicard brand	303,706	230,169
Sundry domestic debtors	615,900	229,877
Sundry foreign debtors	101,509	96,776
Recoverable payments	50,848	24,166
Salary advances	63,610	31,830
Amounts receivable from related companies	14,494	60,052
Operations without credit granting characteristics	<u>459,455</u>	<u>164,142</u>
Securities and credits receivable	508,602	177,954
(-) Allowance for other loan losses	(49,147)	(13,812)
Other	104,549	131,148
<b>Total</b>	<b><u>42,269,914</u></b>	<b><u>15,608,313</u></b>

**b) Prepaid expenses**

	<b>12/31/2008</b>	<b>12/31/2007</b>
Commissions	2,691,480	1,615,666
Related to insurance and pension plan	293,094	155,933
Related to vehicle financing	2,336,731	1,436,277
Other	61,655	23,456
Credit Guarantee Fund (*)	901,090	
Advertising	371,742	139,675
Other	215,158	99,571
<b>Total</b>	<b>4,179,470</b>	<b>1,854,912</b>

(\*) Refers to the spontaneous payment, equivalent to the prepayment of installments of the contribution to the Brazilian Deposit Guarantee Fund, according to BACEN Circular No. 3,416, of October 24, 2008.



**c) Other sundry liabilities**

	<b>12/31/2008</b>	<b>12/31/2007</b>
Provision for contingent liabilities (Note 12b)	8,019,439	3,597,114
Provision for personnel	815,891	463,828
Provision for sundry payments	1,064,401	748,409
Liabilities for official agreements and rendering of payment services	630,224	297,987
Sundry creditors - local	781,786	390,910
Sundry creditors - foreign	249,307	122,348
Liabilities for purchase of assets and rights	18,701	115,063
Related to insurance operations	1,133,916	196,507
Provision to cover actuarial deficit (Note 18c)	105,056	27,536
Creditors of funds to be released	310,358	135,482
Funds from consortia participants	80,210	51,515
Provision for ITAÚ UNIBANCO integration expenditures (Note 13i)	1,330,800	-
Provision for health insurance (Note 13i)	530,634	-
Lease obligations (Note 21n)	137,043	-
Other	227,242	16,231
<b>Total</b>	<b>15,435,008</b>	<b>6,162,930</b>

#### d) Banking service fees

	<b>01/01 to 12/31/2008</b>	<b>01/01 to 12/31/2007</b>
Asset management	<u>1,947,849</u>	<u>2,004,422</u>
Funds management fees	1,920,262	1,960,882
Consortia management fees	27,587	43,540
Current account services (1)	274,124	361,585
Credit cards	<u>2,926,813</u>	<u>2,283,333</u>
Annual fees	648,386	630,793
Other services	<u>2,278,427</u>	<u>1,652,540</u>
Relationship with stores	1,870,663	1,246,967
Credit card processing	407,764	405,573
Loan operations and guarantees provided	<u>1,115,877</u>	<u>974,697</u>
Loan operations (1)	983,171	909,602
Guarantees provided	132,706	65,095
Collection services	<u>1,096,549</u>	<u>862,517</u>
Collection fees	645,422	445,261
Collection services	202,522	182,236
Interbank charges (securities, checks and wire)	248,605	235,020
Other	<u>926,288</u>	<u>773,168</u>
Consultation to Serasa (2)	7,438	106,914
Brokerage	349,188	333,793
Custody services and management of portfolio	149,225	121,565
Foreign exchange services	44,630	34,827
Other services	375,807	176,069
<b>Total</b>	<b><u>8,287,500</u></b>	<b><u>7,259,722</u></b>

(1) The balances from January 1 to **September 30, 2007** were reclassified as Income from Bank Charges, as provided for by Article 9 of the BACEN Circular Letter No. 3,324 of June 12, 2008 (Note 13e);

(2) The result for the period from January 1 to December 31, 2008 was affected by the partial disposal on June 28, 2007 of the interest held in the capital stock of Serasa.

**e) Income from bank charges**

	<b>01/01 to 12/31/2008</b>	<b>01/01 to 12/31/2007</b>
Loan operations/registration	1,293,086	1,226,099
Deposit account	92,344	60,439
Transfer of funds	83,413	59,965
Service packages fees and other	1,059,059	1,052,643
<b>Total (*)</b>	<b>2,527,902</b>	<b>2,399,146</b>

*(\*) Refers to priority services that started to be disclosed under this heading according to BACEN Circular Letter No. 3.324. The bank charges arising from differentiated banking services are still recorded under the heading of Income from Banking Service Fees, as provided for by Articles 4 and 5 of CMN Resolution No. 3,518, of December 6, 2007.*

**f) Personnel expenses**

	<b>01/01 to 12/31/2008</b>	<b>01/01 to 12/31/2007</b>
Compensation	(3,794,484)	(2,742,681)
Charges	(1,199,192)	(867,486)
Welfare benefits	(988,048)	(775,005)
Training	(116,144)	(76,318)
<b>Subtotal</b>	<b>(6,097,868)</b>	<b>(4,461,490)</b>
Severance pay	(125,990)	(93,001)
Labor claims (Note 12b)	(663,729)	(558,185)
<b>Total</b>	<b>(6,887,587)</b>	<b>(5,112,677)</b>

**g) Other administrative expenses**

	<b>01/01 to 12/31/2008</b>	<b>01/01 to 12/31/2007</b>
Data processing and telecommunications	(1,825,401)	(1,505,283)
Depreciation and amortization (Note 15b)	(754,313)	(635,590)
Facilities	(1,099,267)	(829,848)
Third-party services	(1,674,126)	(1,122,831)
Financial system services	(595,323)	(540,672)
Advertising, promotions and publications	(680,187)	(472,946)
Transportation	(289,700)	(245,574)
Materials	(240,592)	(188,022)
Security	(258,571)	(200,842)
Legal	(38,007)	(41,321)
Travel expenses	(96,316)	(64,268)
Other	(329,238)	(251,202)
<b>Total</b>	<b>(7,881,041)</b>	<b>(6,098,399)</b>

## h) Other operating income

	01/01 to 12/31/2008	01/01 to 12/31/2007
Reversal of legal liabilities	903,476	9,281
Tax and social security (Note 12c)	720,001	9,281
Other (*)	183,475	-
Investment in subsidiaries, not arising from net income	92,353	14,161
Recovery of charges and expenses	208,485	94,334
Other	349,361	281,688
<b>Total</b>	<b>1,553,675</b>	<b>399,464</b>

(\*) From January 1 to December 31, 2008, it comprises R\$ 119,315 arising from the reversal of the provision for depreciation in excess of IT assets and equipment, and R\$ 64,160 arising from the lawsuit for repetition of PIS Gross Operating Revenue (ROB) in excess of PIS Repique relating to the period from July 1988 to May 1989. In November 2002 a decision recognizing the entitlement to the credit was considered final and unappealable and in September 2008 the expert's calculation for settling the decision was completed.

## i) Other operating expenses

	01/01 to 12/31/2008	01/01 to 12/31/2007
Provision for contingencies (Note 12b)	(2,202,363)	(1,021,460)
Civil lawsuits (1)	(888,629)	(833,791)
Tax and social security (2)	(1,241,121)	(180,384)
Other	(72,613)	(7,285)
Selling - credit cards	(673,180)	(485,852)
Claims	(294,525)	(184,675)
Amortization of goodwill on investments (3)	(19,483,129)	(163,481)
Provision for ITAÚ UNIBANCO integration expenditures (4)	(1,330,800)	-
Provision for health insurance (5)	(530,634)	-
Expenses for lease interests (Note 21n)	(14,500)	-
Other	(571,432)	(235,064)
<b>Total</b>	<b>(25,100,563)</b>	<b>(2,090,532)</b>

(1) From January 1 to December 31, 2008, includes the provision for economic plans amounting to R\$ 263,772 (R\$ 397,768 from January 1 to December 31, 2007).

(2) From January 1 to December 31, 2008, includes the provision for assessment notices amounting to R\$ 1,066,918 of which: R\$ 290,238 - CPMF on transactions with customers, R\$ 401,593 - deductibility of goodwill, R\$ 157,912 - CPMF on transfer of securities, R\$ 17,919 - ISS on banking activities, and R\$ 199,256 - INSS on surplus profit sharing related to collective bargaining

(3) From January 1 to December 31, 2008, it basically refers to goodwill referred to in Notes 2aI and II. From January 1 to December 31, 2007, basically refers to the acquisition of BBI and BBT and the acquisition of BPI - SGPS S.A. (BPI) shares that, net of the effect of minority interests, represents R\$ 58,060.

(4) Provision set up to cover expenditures on communication with customers, adequacy of systems and personnel.

(5) Provision set up to cover future deficits up to the total discontinuance of the portfolio, arising from the difference of adjustments to monthly installments, authorized annually by the regulatory body, and the actual variation of hospital costs that affect the compensation of claims.

## j) Non-operating income

	01/01 to 12/31/2008	01/01 to 12/31/2007
Disposal of investments	264,235	2,536,871
Redecard	-	1,544,439
Serasa S.A.	-	742,523
Visa Inc.	139,454	-
MasterCard Inc.	80,501	-
BM&FBovespa	44,280	249,909
Sale of the former head office of Banco Itaúbank S.A.	-	114,321
Other	(92,140)	28,334
<b>Total</b>	<b>172,095</b>	<b>2,679,526</b>

## NOTE 14 - TAXES

### a) Composition of expenses for taxes and contributions

I - We show below the Income Tax and Social Contribution due on the operations for the period and on temporary differences arising from additions and exclusions:

Due on operations for the period	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Income before income tax and social contribution</b>	<b>(18,350,837)</b>	<b>12,121,949</b>
Charges (Income Tax and Social Contribution) at the rates of 25% and 9% (Note 4n), respectively	6,239,285	(4,121,463)
<b>Increase/decrease to Income Tax and Social Contribution charges arising from:</b>		
<b>Permanent (additions) exclusions</b>	<b>1,763,334</b>	<b>228,937</b>
Investments in affiliates	102,208	72,879
Foreign exchange variation on investments abroad	1,051,878	(321,497)
Interest on capital	698,117	447,067
Dividends, interest on external debt bonds and tax incentives	229,469	140,247
Other	(318,338)	(109,759)
<b>Temporary (additions) exclusions</b>	<b>(6,967,852)</b>	<b>1,135,984</b>
Allowance for loan losses	(2,161,405)	(251,468)
Excess (insufficiency) of depreciation of leased assets	2,850,987	1,646,047
Adjustment to market value of trading securities and derivative financial instruments and adjustments from operations in futures markets	(136,861)	(186,068)
Interest on capital	-	6,992
Legal liabilities - tax and social security, contingent liabilities and restatement of escrow deposits	(492,814)	(409,016)
Goodwill on purchase of investments	(6,339,069)	195,348
Provision for integration expenditures with ITAÚ UNIBANCO merger	(452,472)	-
Other non-deductible provisions	(236,218)	134,149
<b>(Increase) Offset of tax losses/social contribution losses carryforwards</b>	<b>(3,212,975)</b>	<b>82,014</b>
<b>Effect of the increase in the social contribution rate (Note 4n)</b>	<b>(246,177)</b>	<b>-</b>
<b>Expenses for income tax and social contribution</b>	<b>(2,424,385)</b>	<b>(2,674,528)</b>
<b>Related to temporary differences</b>		
Increase (reversal) for the period	10,180,827	(1,209,368)
Prior periods increase (reversal)	664,203	68,346
<b>Income (expenses) from deferred taxes</b>	<b>10,845,030</b>	<b>(1,141,022)</b>
<b>Total income tax and social contribution</b>	<b>8,420,645</b>	<b>(3,815,550)</b>

II - Composition of tax expenses:

	01/01 to 12/31/2008	01/01 to 12/31/2007
PIS AND COFINS	(1,488,457)	(1,576,053)
ISS	(343,409)	(270,014)
CPMF (*)	-	(249,700)
Other	(248,643)	(142,415)
<b>Total (Note 4m)</b>	<b>(2,080,509)</b>	<b>(2,238,182)</b>

(\*) As from January 1, 2008, the withholding and payment of CPMF established by Law No. 9,311 of October 24, 1996 were cancelled.

## b) Tributos Diferidos

I - O saldo de Créditos Tributários e sua movimentação, segregados em função das origens e desembolsos efetuados, estão representados por:

<b>DEFERRED TAXES</b>					
	12/13/2007	Balance arising from ITAÚ UNIBANCO merger on 09/30/2008	Realization / Reversal	Net increase	12/31/2008
<b>Reflected on income and expense accounts</b>	<b><u>5,740,411</u></b>	<b><u>4,739,834</u></b>	<b><u>(2,528,360)</u></b>	<b><u>16,732,651</u></b>	<b><u>24,684,536</u></b>
Related to income tax and social contribution loss carryforwards	<u>457,067</u>	<u>762,975</u>	<u>(134,301)</u>	<u>3,387,064</u>	<u>4,472,805</u>
Related to disbursed provisions	<u>2,332,364</u>	<u>1,555,586</u>	<u>(1,804,963)</u>	<u>3,557,788</u>	<u>5,640,775</u>
Allowance for loan losses	1,765,357	1,162,002	(1,257,754)	2,725,680	4,395,285
Adjustment to market value of securities and derivative financial instruments (assets and liabilities)	-	209,131	(209,131)	270,310	270,310
Allowance for real estate	29,440	41,604	(17,814)	744	53,974
Goodwill on purchase of investments	402,297	21,310	(206,350)	534,666	751,923
Other	135,270	121,539	(113,914)	26,388	169,283
Related to non-disbursed provisions	<u>2,950,980</u>	<u>2,421,273</u>	<u>(589,096)</u>	<u>9,787,799</u>	<u>14,570,956</u>
Related to the operation	<u>2,295,030</u>	<u>2,089,093</u>	<u>(589,096)</u>	<u>8,691,049</u>	<u>12,486,076</u>
Legal Liabilities - tax and social security	570,851	879,710	(145,722)	472,403	1,777,242
Provision for contingent liabilities	<u>891,580</u>	<u>917,284</u>	<u>(242,568)</u>	<u>950,118</u>	<u>2,516,414</u>
Civil	390,810	215,424	(188,075)	325,009	743,168
Labor	289,535	343,435	(46,401)	165,588	752,157
Tax and social security	211,235	358,425	(8,092)	385,262	946,830
Other	-	-	-	74,259	74,259
Goodwill on purchase of investments	415,498	-	-	6,017,250	6,432,748
Provision for integration expenditures of ITAÚ UNIBANCO merger	-	-	-	452,472	452,472
Provision for Health Insurance Operations	-	-	-	212,254	212,254
Other non-deductible provisions	417,101	292,099	(200,806)	586,552	1,094,946
Related to provisions in excess of the minimum required not disbursed - allowance for loan losses	655,950	332,180	-	1,096,750	2,084,880
<b>Reflected in stockholders' equity accounts - adjustment to market value of available-for-sale securities</b>	<b>1,016</b>	<b>186,600</b>	<b>-</b>	<b>93,384</b>	<b>281,000</b>
<b>Total</b>	<b><u>5,741,427</u></b>	<b><u>4,926,434</u></b>	<b><u>(2,528,360)</u></b>	<b><u>16,826,035</u></b>	<b><u>24,965,536</u></b>
<b>Social contribution for offset arising from Option foreseen in article 8 of Provisional Measure No. 2,158-35 of 08/24/2001.</b>	<b>920,545</b>	<b>415,161</b>	<b>(44,977)</b>	<b>-</b>	<b>1,290,729</b>

II - Provision for Deferred Income Tax and Social Contribution balance and its changes are shown as follows:

	12/31/2007	Balance arising from ITAÚ UNIBANCO merger on 09/30/2008	Realization / Reversal	Increase	12/31/2008 (*)
<b>Reflected on income and expense accounts</b>	<b>3,998,206</b>	<b>806,913</b>	<b>(178,128)</b>	<b>3,270,943</b>	<b>7,897,934</b>
Depreciation in excess - leasing	3,554,767	803,745	(66,868)	2,923,389	7,215,033
Taxation of results abroad - Capital gains	48,315	-	(48,315)	-	-
Adjustments of operations carried out in futures settlement market	44,844	-	(39,047)	42,390	48,187
Adjustment to market value of trading securities and derivative financial instruments	34,642	-	(19,636)	54,377	69,383
Restatement of escrow deposits related to legal and contingent liabilities	187,778	-	-	219,571	407,349
Income on sale of permanent asset items and rights	70,004	-	(350)	-	69,654
Other	57,856	3,168	(3,912)	31,216	88,328
<b>Reflected in stockholders' equity accounts - adjustment to market value of available-for-sale securities (Note 4b)</b>	<b>32,711</b>	<b>-</b>	<b>(17,723)</b>	<b>3,152</b>	<b>18,140</b>
<b>Total</b>	<b>4,030,917</b>	<b>806,913</b>	<b>(195,851)</b>	<b>3,274,095</b>	<b>7,916,074</b>

(\*) At December 31, 2008 the balance reflects the adjustment arising from the increase in the social contribution tax rate (Note 4m) in the amount of R\$ 118,844.



- III- The estimate of realization and present value of deferred tax assets and social contribution for offset, arising from Provisional Measure No. 2,158-35 of August 24, 2001 and from the provision for Deferred Income Tax and Social Contribution existing at December 31, 2008, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, are:

Realization year	Deferred taxes			Social contribution for offset	Provision for deferred income tax and social contribution	Net deferred taxes
	Temporary differences	Tax losses/social contribution losses carryforwards	Total			
2009	6,262,351	427,739	6,690,090	213,778	(944,241)	5,959,627
2010	3,420,658	925,157	4,345,815	317,760	(1,327,243)	3,336,332
2011	3,370,719	1,765,926	5,136,645	321,400	(1,689,764)	3,768,281
2012	2,486,399	788,916	3,275,315	112,205	(2,016,014)	1,371,506
2013	2,623,139	164,173	2,787,312	74,122	(1,418,045)	1,443,389
After 2013	2,329,465	400,894	2,730,359	251,464	(520,767)	2,461,056
Total	20,492,731	4,472,805	24,965,536	1,290,729	(7,916,074)	18,340,191
Present value (*)	17,996,319	3,910,918	21,907,237	1,119,930	(6,852,271)	16,174,896

(\*) The average funding rate, net of tax effects, was used to in the adjustment to present value.

The projections of future taxable income include estimates related to macroeconomic variables, exchange rates, interest rates, volume of financial operations and services fees and others, which can vary in relation to actual data and amounts.

Net income in the financial statements is not directly related to taxable income for income tax and social contribution, due to differences existing between accounting criteria and tax legislation, besides corporate aspects. Accordingly, we recommend that the trend of the realization of deferred tax assets arising from temporary differences, income tax and social contribution loss carryforwards not be used as an indication of future net income.

- IV - In view of the unconstitutionality lawsuit related to the increase in the social contribution rate, established by Articles 17 and 41 of Law 11,727 of June 24, 2008, filed on June 26, 2008 by the National Confederation of the Financial System (CONSIF), the Company recorded deferred tax assets up to the amount added to the Tax Liabilities, while the amount of R\$ 2,612,546 is unrecorded.

At December 31, 2007, unrecorded deferred tax assets amount to R\$ 304,015.

### c) Tax and social security contributions

The balance of taxes and social security contributions is composed as follows:

	12/31/2008	12/31/2007
Taxes and contributions on income payable	1,049,438	449,215
Taxes and contributions payable	1,097,108	460,590
Provision for deferred income tax and social contribution (Note 14b II)	7,916,074	4,030,917
Legal Liabilities - tax and social security (Note 12c)	7,821,476	4,615,979
<b>Total</b>	<b>17,884,096</b>	<b>9,556,701</b>

## NOTE 15 - PERMANENT ASSETS

### a) Investments

#### I - Composition of investments

	12/31/2008	12/31/2007
<b>Investment in affiliates - Domestic</b>	<b>556,037</b>	<b>229,029</b>
Allianz Seguros S.A. (current corporate name of AGF Brasil Seguros S./	141,486	130,012
Serasa S.A.	154,279	99,017
Itaú-BBA Participações S.A. (*)	250,605	-
Other	9,667	-
<b>Investment in affiliates - Abroad</b>	<b>1,013,709</b>	<b>758,416</b>
BPI	1,010,926	756,383
Other	2,783	2,033
<b>Other investments</b>	<b>1,070,801</b>	<b>321,511</b>
Investments through tax incentives	159,258	100,568
Equity securities	13,321	10,901
Shares and quotas	122,578	92,908
Other	775,644	117,134
<b>Provision for losses</b>	<b>(173,536)</b>	<b>(78,173)</b>
<b>Total</b>	<b>2,467,011</b>	<b>1,230,783</b>

(\*) Investment acquired in December 2008.

#### II - Equity in earnings of affiliates

	01/01 to 12/31/2008	01/01 to 12/31/2007
<b>Investment in affiliates – Domestic</b>	<b>(10,530)</b>	<b>103,529</b>
<b>Investment in affiliates – Abroad</b>	<b>311,142</b>	<b>110,821</b>
Foreign exchange variation on investments	182,546	(52,062)
Equity in earnings of affiliates	128,596	162,883
<b>Total</b>	<b>300,612</b>	<b>214,350</b>

b) Fixed and intangible assets

	NET BALANCE AT 12/31/2007	CHANGES				12/31/2008			12/31/2007
		ACQUISITIONS	DISPOSALS	DEPRECIATION/A MORTIZATION EXPENSES (4) (Note 12g)	OTHERS (Note 12h)	COST	ACCUMULATED DEPRECIATION	NET	NET
<b>FIXED ASSETS</b>	<b>2,059,550</b>	<b>2,315,122</b>	<b>(36,212)</b>	<b>(624,937)</b>	<b>153,925</b>	<b>10,028,498</b>	<b>(6,161,050)</b>	<b>3,867,448</b>	<b>2,059,549</b>
<b>REAL ESTATE IN USE (1)</b>	<b>1,414,706</b>	<b>1,136,750</b>	<b>(9,689)</b>	<b>(217,671)</b>	<b>22,790</b>	<b>4,222,371</b>	<b>(1,875,485)</b>	<b>2,346,886</b>	<b>1,414,706</b>
Land	631,429	194,137	(3,920)	-	703	822,349	-	822,349	631,429
Buildings	471,908	267,105	(4,708)	(63,310)	7,837	2,046,999	(1,368,167)	678,832	471,908
Improvements	311,369	675,508	(1,061)	(154,361)	14,250	1,353,023	(507,318)	845,705	311,369
<b>OTHER FIXED ASSETS</b>	<b>644,844</b>	<b>1,178,372</b>	<b>(26,523)</b>	<b>(407,266)</b>	<b>131,135</b>	<b>5,806,127</b>	<b>(4,285,565)</b>	<b>1,520,562</b>	<b>644,843</b>
Installations	102,128	86,205	(569)	(15,143)	(15,963)	391,685	(235,027)	156,658	102,127
Furniture and equipment	59,571	247,944	(3,256)	(25,202)	56,436	753,113	(417,620)	335,493	59,571
EDP systems	397,264	597,739	(17,709)	(285,422)	72,240	3,945,163	(3,181,051)	764,112	397,264
Lease operations	-	111,518	-	(48,465)	-	186,278	(123,225)	63,053	-
Other (communication, security and transportation)	85,881	134,966	(4,989)	(33,034)	18,422	529,888	(328,642)	201,246	85,881
<b>INTANGIBLE ASSETS</b>	<b>2,792,878</b>	<b>1,721,220</b>	<b>-</b>	<b>(805,183)</b>	<b>93,228</b>	<b>4,410,543</b>	<b>(608,400)</b>	<b>3,802,143</b>	<b>2,792,877</b>
<b>ACQUISITION OF RIGHTS TO CREDIT PAYROLL (2)</b>	<b>2,124,510</b>	<b>831,465</b>	<b>-</b>	<b>(641,548)</b>	<b>-</b>	<b>2,395,438</b>	<b>(81,011)</b>	<b>2,314,427</b>	<b>2,124,509</b>
<b>OTHER INTANGIBLE ASSETS</b>	<b>668,368</b>	<b>889,755</b>	<b>-</b>	<b>(163,635)</b>	<b>93,228</b>	<b>2,015,105</b>	<b>(527,389)</b>	<b>1,487,716</b>	<b>668,368</b>
Partnership for the promotion and offer of financial products and services (3)	288,792	618,216	-	(34,259)	-	876,326	(3,577)	872,749	288,792
Expenditure on acquisitions of software	141,315	253,185	-	(92,299)	15,112	794,274	(476,961)	317,313	141,315
Right to manage investment funds	235,926	17,497	-	(36,043)	77,890	340,259	(44,989)	295,270	235,926
Other intangible assets	2,335	857	-	(1,034)	226	4,246	(1,862)	2,384	2,335
<b>GRAND TOTAL</b>	<b>4,852,428</b>	<b>4,036,342</b>	<b>(36,212)</b>	<b>(1,430,120)</b>	<b>247,153</b>	<b>14,439,041</b>	<b>(6,769,450)</b>	<b>7,669,591</b>	<b>4,852,426</b>

(1) Includes amounts pledged in guarantee of voluntary deposits (Note 12b).

(2) Represents the recording of amounts paid for acquisition of rights to provide services of payment of salaries, proceeds, retirement and pension benefits, and similar benefits. The balance basically comprises the agreements entered into with the State Governments of Rio de Janeiro, Goiás and Minas Gerais, and the Municipal Government of São Paulo.

(3) Partnerships for the promotion and offer of financial products and services basically refers to the agreement entered into with the company LPS Brasil - Consultoria de Imóveis S.A. (LOPES) and the commercial agreement entered into with the store Marisa S.A. in 2008.

(4) Amortization expenses of the acquisition of rights to credit payrolls and partnerships are disclosed in the expenses on financial operations.

## NOTE 16 – STOCKHOLDERS' EQUITY

### a) Shares

At the ESM held on November 12, 2008, stockholders resolved on the creation of preferred shares with no voting rights and with preemptive rights in the receipt of a minimum non-cumulative annual dividend of R\$ 0.022 per share, which will be adjusted in the event of split or reversed split of shares, tag-along rights, in the event of the disposal of control, to be included in a public offering so as to ensure their holders a price equal to 80% of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares and the split of the 99,569,772 common shares of the capital stock into 2,953,439,742 book-entry shares with no par value, 1,553,418,518 common shares and 1,400,021,160 preferred shares of which will be freely attributed to the stockholder ITAÚ HOLDING.

At the ESM held on November 28, 2008 stockholders resolved on the merger of all of the shares of Itaúsa Export S.A., E. Johnston Representação e Participações S.A., Unibanco Holdings S.A. and Unibanco – União de Bancos Brasileiros S.A.. As a result, capital was increased by R\$ 29,973,000 through the issue of 1,141,988,071 book-entry shares, with no par value, of which 527,750,941 are common and 614,237,130 are preferred shares.

Capital started to comprise 4,095,427,813 book-entry shares with no par value, of which 2,081,169,523 are common and 2,014,258,290 are preferred shares without voting rights, but with tag-along rights, in the event of the disposal of control, to be included in a public offering so as to ensure their holders a price equal to eighty percent (80%) of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares.

### b) Dividends

Stockholders are entitled to a mandatory dividend of not less than 25% of annual net income, which is adjusted according to the rules set forth in Brazilian Corporate Law.

In the period, interest on capital and dividends were paid as follows:

	Gross	WTS	Net
<b>Interest on capital paid (*)</b>			
11 monthly installments of R\$ 0.32 per share paid from February to December 2008	350,487	(52,573)	297,914
<b>Dividends – Paid and provided for</b>			
1 installment of R\$ 0.012 per share to be paid in January 2009 (*)	49,145	-	49,145
- R\$ 18.07 per share paid on 04/09/2008 (**)	1,799,225	-	1,799,225
<b>TOTAL</b>	<b>2,198,857</b>	<b>(52,573)</b>	<b>2,146,284</b>

(\*) Recorded in Other Liabilities - Social and Statutory.

(\*\*) Charged to Revenue Reserves - Special Reserve and imputed to the mandatory minimum dividend for 2007.

### c) Capital, revaluation and revenue reserves

	12/31/2008	12/31/2007
<b>Capital reserves</b>	<b>800,540</b>	<b>711,492</b>
Special Reserve (Article 2 - Law No. 8,200/91)	112,556	112,556
Premium on subscription of shares and other	2,655	2,121
Capital rearrangement (Note 21j)	573,766	573,766
Prior years' adjustments – Law No. 11,638 (Note 21n)	88,087	-
Reserves from tax incentives and restatement of equity securities	23,476	23,049
<b>Revaluation reserves (Note 21n)</b>	<b>8,738</b>	<b>12,584</b>
<b>Revenue reserves</b>	<b>-</b>	<b>2,831,715</b>
Legal	-	549,071
Special (*)	-	2,282,644

(\*) Recorded to establish funds for exercising the preemptive right to subscription of capital increases in subsidiary and affiliated companies, future incorporation of these funds into capital and the payment of interim dividends, as provided for in the by-laws.

**d) Reconciliation of net income and stockholders' equity**

The difference between the Net Income and Stockholders' Equity of ITAÚ and ITAÚ CONSOLIDATED (Note 2b) arises from the adoption of different criteria for the amortization of goodwill originated on purchase of investments, the recording of deferred tax assets and the write-off of unrealized income of intercompany operations, on which related taxes are deferred.

	Net Income		Stockholders' equity	
	01/01 to 12/31/2008	01/01 to 12/31/2007	12/31/2008	12/31/2007
<b>ITAÚ</b>	<b>(1,723,163)</b>	<b>2,746,543</b>	<b>39,413,276</b>	<b>13,802,427</b>
Amortization of goodwill	(18,957,127)	1,076,267	(20,589,756)	(1,632,631)
Deferred tax assets	6,335,700	(347,541)	6,841,316	505,616
Unrealized income (loss)	3,604	(3,480)	(8,779)	(12,383)
<b>ITAÚ CONSOLIDATED</b>	<b>(14,340,986)</b>	<b>3,471,789</b>	<b>25,656,057</b>	<b>12,663,029</b>

e) Prior Years' Adjustments – arising from the changes introduced by Law No. 11,638 in view of the adoption of rules on stock-based compensation and lease operations, which effects are shown in Note 21n.

## NOTE 17 - RELATED PARTIES

Transactions between related parties are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

Transactions between companies included in consolidation were eliminated from the consolidated financial statements and take into consideration the lack of risk.

The unconsolidated related parties are the following:

- The parent company ITAÚSA, its controlling companies and non-financial subsidiaries, especially Itaútec S.A., Duratex S.A., Elekeiroz S.A. and Itaúsa Empreendimentos S.A.;
- Banco Itaú BBA S.A. and the subsidiaries in Chile and Uruguay;
- Fundação Itaúbanco, FUNBEP – Fundo de Pensão Multipatrocinado, Caixa de Previdência dos Funcionários do BEG (PREBEG), Fundação Bemgeprev e Itaúbank Sociedade de Previdência Privada, UBB – Prev Previdência Complementar e Fundação Banorte Manuel Baptista da Silva de Seguridade Social, closed-end private pension entities, that administer supplementary retirement plans sponsored by ITAÚ and/or its subsidiaries, as described in Note 18a; and
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema and Associação Classe “A”, entities sponsored by ITAÚ to act in their respective areas of interest, as described in Note 21d and 21i.

The transactions with these related parties are not significant in the overall context of ITAÚ CONSOLIDATED operations, and besides those already mentioned above, are basically characterized by:

- Bank transactions under normal operations, in unrestricted compliance with the limits imposed by the Brazilian Central Bank (BACEN), such as current accounts, investments in and redemption of securities and the provision of custody/management services;
- Purchase, lease, maintenance and technical assistance of IT equipment from Itaútec S.A. and subsidiaries; and
- Rental of real estate from ITAÚSA, Fundação Itaúbanco, FUNBEP and PREBEG.

The transactions with these related parties, besides those already mentioned above, are basically characterized by:

	ASSETS (LIABILITIES)		REVENUE (EXPENSES)	
	12/31/2008	12/31/2007	01/01 to 12/31/2008	01/01 to 12/31/2007
Demand deposits	(65,787)	(46,899)	-	-
Repurchase agreements	(126,643)	(37,168)	(3,888)	(12,145)
Amounts payable to related parties	(89,929)	-	(14,249)	-
Banking service fees	-	-	13,364	3,619
Rent expenses	-	-	(25,700)	(22,452)
Donation expenses	-	-	(36,565)	(86,978)
Data processing expenses	-	-	(226,888)	(190,954)

## NOTE 18 - BENEFITS TO EMPLOYEES

Under the terms of CVM Resolution No. 371, dated December 13, 2000, we present the policies adopted by ITAÚ and its subsidiaries (ITAÚ CONSOLIDATED) regarding benefits to employees, as well as the accounting procedures adopted:

### a) Supplementary retirement benefits:

ITAÚ and its subsidiary companies sponsor the following supplementary retirement plans:

Entity	Benefit plan
Fundação Itaúbanco	Supplementary retirement plan - PAC (1)
	Franprev benefit plan - PBF (1)
	002 Benefit Plan - PB002 (1)
	Itaulam Basic Plan - PBI (1)
	Itaulam Supplementary Plan - PSI (2)
Fundação Bemgeprev	Supplementary Retirement Plan - Flexible Premium
Funbep Fundo de Pensão Multipatrocinado	Funbep I Benefit Plan (1)
	Funbep II Benefit Plan (2)
Caixa de Previdência dos Funcionários do Banco Beg - Prebeg	Prebeg Benefit Plan (1)
Citiprevi - Entidade Fechada de Previdência Complementar (Orbitall/Credicard Itaú)	Credicard Retirement Plan (1)
	Credicard Supplementary Retirement Plan (2)
Itaubank Sociedade de Previdência Privada	Itaubank Retirement Plan (3)
	Unibanco pension plan (3)
UBB-PREV - Previdência Complementar	Basic plan (1)
	IJMS plan (1)
Fundação Banorte Manoel Baptista da Silva de Seguridade Social	Benefit plan I (1)
	Benefit plan II (1)

(1) Defined benefit plan;

(2) Variable contribution plan;

The basic purpose of the defined benefit and variable contribution plans is to grant a benefit that, as a life annuity benefit (in case of FUNBEP, PREBEG, PB002 and Credicard, also as survivorship annuities), will supplement the pension paid by social security. In case of the defined contribution plan, the benefit is calculated based on the contributions made and its payment is made for an established period, which does not require actuarial calculation.

All of these plans are closed to new participants. As regards the new employees hired after the closing, they have the option to participate in a defined contribution plan (PGBL) managed by Itaú Vida e Previdência S.A.

During the period, the contributions paid totaled R\$ 44,194 (R\$ 37,409 from January 1 to December 31, 2007). The contribution rate increases based on the participant's salary.

### b) Post-employment benefits:

ITAÚ does not offer other post-employment benefits, except in those cases arising from maintenance obligations according to the acquisition agreements signed by ITAÚ, under the terms and conditions established, in which health plans are totally or partially sponsored for retired workers and beneficiaries. During the period, the contributions made totaled R\$ 6,658 (R\$ 6,971 from January 1 to December 31, 2007). The contribution rate increases based on the beneficiary's age.

### c) Net amount of assets and actuarial liabilities of the benefit plan:

The net assets and actuarial liabilities, which consider the actuarial obligations, calculated in conformity with the criteria established by CVM Resolution No. 371 of 12/13/2000, are summarized below:

	12/31/2008	12/31/2007
Net assets of the plans	12,775,978	12,583,353
Actuarial liabilities	(11,223,791)	(9,440,841)
Surplus (*)	1,552,187	3,142,512

(\*) According to paragraph 49g of the attachment to CVM Resolution No. 371 of December 13, 2000, the net asset was not recognized.

In addition to the reserves recorded by the plans, the sponsors record provisions in the amount of R\$ 105,056 (R\$ 27,536 at December 31, 2007) (Note 13c) to cover possible actuarial liabilities.

**d) Changes in net assets, actuarial liabilities, and surplus**

DESCRIPTION	01/01 to 12/31/2008			01/01 to 12/31/2007		
	Assets	Actuarial liabilities	Surplus	Assets	Actuarial liabilities	Surplus
<b>Present value – beginning of the period</b>	<b>12,583,353</b>	<b>(9,440,841)</b>	<b>3,142,512</b>	<b>10,599,436</b>	<b>(8,574,690)</b>	<b>2,024,746</b>
Expected return on assets/ Cost of current service + Interest	1,536,547	(1,164,577)	371,970	1,289,887	(1,104,131)	185,756
Benefits paid	(472,846)	472,846	-	(424,108)	424,108	-
Balance arising from ITAÚ UNIBANCO merger	113,860	(181,820)	(67,960)	-	-	-
Contributions of sponsors/participants	66,523	-	66,523	57,696	-	57,696
Gains/(losses) in the period (*)	(1,051,459)	(909,399)	(1,960,858)	1,060,442	(186,128)	874,314
<b>Present value – end of the period</b>	<b>12,775,978</b>	<b>(11,223,791)</b>	<b>1,552,187</b>	<b>12,583,353</b>	<b>(9,440,841)</b>	<b>3,142,512</b>

(\*) Gains/(losses) in assets correspond to the actual earnings obtained above (below) the expected return rate of assets.

**e) Main assumptions used in actuarial evaluation:**

Discount rate	10.24% p.a.
Expected return rate on assets	12.32 % p.a.
Mortality table (1)	AT-2000
Turnover (2)	Itaú Exp. 2003/2004
Future salary growth	7.12 % p .a.
Growth of the pension fund and social security benefits	4.00 % p.a.
Inflation	4.00 % p.a.
Actuarial method	Projected Unit Credit (3)

(1) The mortality tables adopted correspond to those disclosed by SOA – “Society of Actuaries”, the North-American Entity which corresponds to IBA – Brazilian Institute of Actuarial Science, which reflects a 10% increase in the probabilities of survival as compared to the respective basic tables.

(2) The turnover assumption is based on the effective experience of ITAÚ, resulting in an average of 1.2% p.a. based on 2003/2004 experience;

(3) Using the Projected Unit Credit, the mathematical reserve is determined by the current projected benefit amount multiplied by the ratio between the length of service in the company at the assessment date and the length of service that will be reached at the date when the benefit is granted. The cost is determined taking into account the current projected benefit amount distributed over the years that each participant is employed.



**NOTE 19 - INFORMATION ON FOREIGN SUBSIDIARIES**

	Foreign branches (1)		Banco Itaú Argentina S.A. (2)		Itaú Europa Consolidated (3)		Itaú Bank Ltd. Consolidated (4)		Unibanco Companies (5)		Other foreign companies (6)		Foreign consolidated (7)	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
<b>Assets</b>														
<b>Current and long-term receivables</b>														
Cash and cash equivalents	5,648,155	119,883	159,958	68,295	1,534,768	285,242	123,210	87,780	2,037,067	150,746	53,296	8,657,498	528,010	
Interbank investments	6,951,168	4,751,150	184,914	174,453	3,974,003	5,023,220	3,511,321	1,264,583	3,846,368	246,845	33,293	13,535,390	9,407,344	
Securities	5,139,081	2,890,259	73,894	89,250	2,674,398	1,587,670	4,480,951	2,153,324	17,909,236	36,338	4,376	28,433,858	6,497,398	
Loan, lease and other credit operations	2,525,044	1,713,519	1,536,255	1,230,899	6,688,375	3,366,921	279,679	263,373	6,244,326	478,225	364,994	17,114,743	6,499,291	
Prepaid expenses	11,264	12,070	1,517	860	13,802	20,055	6	4	42,963	1,167	15	70,719	33,024	
Other assets	916,896	308,844	491,287	332,772	9,365,405	148,972	2,467,579	301,721	1,007,512	43,614	35,580	14,291,810	1,127,449	
<b>Permanent assets</b>														
Investments	-	-	8,048	5,315	520,825	390,679	50,572	10,065	300,766	496,624	371,856	1,319,730	763,340	
Banco BPI S.A.	-	-	-	-	515,572	385,755	-	-	-	495,354	370,628	1,010,926	756,383	
Other investments	-	-	8,048	5,315	5,253	4,924	50,572	10,065	300,766	1,270	1,228	308,804	6,957	
Fixed and intangible assets	26,938	8,056	69,340	35,444	302,050	254,365	-	-	42,506	5,237	3,676	446,070	301,540	
<b>Total</b>	<b>21,218,546</b>	<b>9,803,781</b>	<b>2,525,213</b>	<b>1,937,288</b>	<b>25,073,626</b>	<b>11,077,124</b>	<b>10,913,318</b>	<b>4,080,850</b>	<b>31,430,744</b>	<b>1,458,796</b>	<b>867,086</b>	<b>83,869,818</b>	<b>25,157,396</b>	
<b>Liabilities</b>														
<b>Current and long-term liabilities</b>														
Deposits	9,775,388	2,480,016	1,954,888	1,600,570	9,293,925	6,155,690	3,454,759	1,462,041	8,057,925	76,743	-	27,053,751	9,737,531	
Demand deposits	1,173,975	919,992	546,269	292,427	2,172,732	1,103,844	1,741,699	122,333	3,488,082	-	-	7,351,438	1,834,290	
Savings deposits	-	-	417,981	324,925	-	-	-	-	725,263	-	-	1,143,243	324,926	
Interbank deposits	2,020	27,050	9,408	43,073	784,587	1,003,182	1,103,565	526,399	130,466	-	-	820,851	1,384,280	
Time deposits	8,599,393	1,532,974	981,230	940,145	6,336,606	4,048,664	609,495	813,309	3,714,114	76,743	-	17,738,219	6,194,035	
Deposits received under securities repurchase agreements	456,319	497,733	28,154	-	205,471	160,190	1,158,657	405,358	2,596,375	-	-	3,530,164	888,240	
Funds from acceptances and issuance of securities	50,570	340,866	-	-	2,433,102	2,049,915	944,942	63,203	1,364,814	-	-	4,768,224	2,453,983	
Borrowings	2,825,958	1,638,686	68,950	62,874	1,673,271	1,002,395	-	4,569	5,999,404	9,307	-	10,389,996	2,687,044	
Derivative financial instruments	969,311	39,329	13,016	-	167,535	64,146	1,224,060	158,992	2,173,634	-	-	3,090,358	244,796	
Other liabilities	3,223,876	1,914,355	213,677	92,193	9,929,727	562,085	2,814,405	792,869	6,431,401	59,378	20,169	22,122,644	2,962,076	
<b>Deferred income</b>	<b>3,022</b>	<b>2,841</b>	-	-	<b>12,571</b>	<b>8,052</b>	<b>636</b>	<b>613</b>	<b>37,357</b>	-	<b>43</b>	<b>53,586</b>	<b>11,549</b>	
<b>Minority interests in subsidiaries</b>	-	-	-	-	<b>189</b>	<b>142</b>	-	-	<b>1</b>	<b>2</b>	<b>1</b>	<b>2,659</b>	<b>20,585</b>	
<b>Stockholders' equity</b>														
Capital and reserves	3,769,455	2,774,838	225,905	175,643	1,196,406	1,088,147	1,562,371	1,183,997	4,334,161	1,295,107	712,282	12,472,705	5,835,108	
Net income	144,647	115,117	20,623	6,008	161,429	(13,638)	(246,512)	9,208	435,672	18,259	134,591	385,731	316,484	
<b>Total</b>	<b>21,218,546</b>	<b>9,803,781</b>	<b>2,525,213</b>	<b>1,937,288</b>	<b>25,073,626</b>	<b>11,077,124</b>	<b>10,913,318</b>	<b>4,080,850</b>	<b>31,430,744</b>	<b>1,458,796</b>	<b>867,086</b>	<b>83,869,818</b>	<b>25,157,396</b>	
<b>Statement of income</b>														
Income from financial operations	645,997	436,703	372,105	147,553	635,986	446,312	(14,862)	188,912	1,048,133	27,596	21,018	2,571,033	1,188,964	
Expenses on financial operations	(438,395)	(286,561)	(141,427)	(56,792)	(456,013)	(306,242)	(171,840)	(149,839)	(417,411)	(2,360)	(593)	(1,484,229)	(733,380)	
Result of allowance for loan losses	461	3,874	(3,310)	1,723	(30,487)	(7,290)	6	5	(9,441)	6	722	(42,764)	(966)	
<b>Gross income from financial operations</b>	<b>208,063</b>	<b>154,016</b>	<b>227,368</b>	<b>92,484</b>	<b>149,486</b>	<b>132,780</b>	<b>(186,696)</b>	<b>39,078</b>	<b>621,281</b>	<b>25,242</b>	<b>21,147</b>	<b>1,044,040</b>	<b>454,618</b>	
Other operating revenues/expenses	(59,774)	(38,899)	(184,223)	(89,635)	(26,063)	(132,990)	(40,701)	(20,017)	10,773	22,894	125,661	(410,537)	(184,930)	
<b>Operating result</b>	<b>148,289</b>	<b>115,117</b>	<b>43,145</b>	<b>2,849</b>	<b>123,423</b>	<b>(210)</b>	<b>(227,397)</b>	<b>19,061</b>	<b>632,054</b>	<b>48,136</b>	<b>146,808</b>	<b>633,503</b>	<b>269,688</b>	
Non-operating income	-	-	4,024	3,159	-	75	-	-	352	44	285	4,527	3,516	
<b>Income before taxes on income and profit sharing</b>	<b>148,289</b>	<b>115,117</b>	<b>47,169</b>	<b>6,008</b>	<b>123,423</b>	<b>(135)</b>	<b>(227,397)</b>	<b>19,061</b>	<b>632,406</b>	<b>48,180</b>	<b>147,093</b>	<b>638,030</b>	<b>273,204</b>	
Income tax	(3,642)	-	(21,869)	-	49,613	(6,419)	(1,720)	(887)	(196,734)	(15,090)	(5,424)	(189,443)	(12,729)	
Statutory participation in income	-	-	(4,677)	-	(11,605)	(7,081)	(17,395)	(8,966)	-	(14,831)	(7,078)	(48,508)	(23,124)	
Minority interests in subsidiaries	-	-	-	-	(2)	(3)	-	-	-	-	-	(14,348)	79,133	
<b>Net income (loss)</b>	<b>144,647</b>	<b>115,117</b>	<b>20,623</b>	<b>6,008</b>	<b>161,429</b>	<b>(13,638)</b>	<b>(246,512)</b>	<b>9,208</b>	<b>435,672</b>	<b>18,259</b>	<b>134,591</b>	<b>385,731</b>	<b>316,484</b>	

(1) Banco Itaú S.A. - Grand Cayman, New York, Tokyo and Nassau Branches;

(2) New name of Banco Itaú Buen Ayre S.A., approved by the Central Bank of Argentina on 07/24/2008;

(3) BIEL Holdings AG, IPI - Itaúsa Portugal Investimentos, SGPS Lda. (51%), Itaú Europa Luxembourg Advisory Holding Company S.A., Itaúsa Europa - Investimentos, SGPS, Lda., Itaú Europa, SGPS, Lda., Itaúsa Portugal - SGPS, S.A., Banco Itaú Europa, S.A., BIE - Bank & Trust, Ltd., Banco Itaú Europa Luxembourg S.A., Banco Itaú Europa Fund Management Company, S.A., BIEL Fund Management Company S.A., BIE Cayman, Ltd., Banco Itaú Europa International, Bie Bank & Trust Bahamas Ltd., and only on 12/31/2008 Itaú Europa Securities Inc.;

(4) BFB Overseas N.V., BFB Overseas Cayman, Ltd., Itaú Bank Ltd., ITB Holding Ltd., Jasper International Investment LLC;

(5) Interbanco S.A., Unibanco - União Bancos Brasil. (Luxembourg) S.A., Unibanco Cayman Bank Ltd., Unicorp Bank & Trust Ltd., Unibanco Securities, Inc, UBB Holding Company, Inc., Uni-Investments Inter. Corp., Unipart Partic. Internac. Ltd., Unipart B2B Investments, S.L., Tradecom International N.V., Tarjetas Unisoluciones S. A. de Capital Variable, Rosefield Finance Ltd., Proserv - Promociones Y Servicios S.A. de C. V., UBB Delaware I LLC, UBT Fiduciary Ltd., UBT Finance S.A., UBT Investments Ltd. and Unibanco Grand Cayman Branch.

(6) Afínco Americas Madeira, SGPS, Soc. Unipessoal Ltda., Itaú Asset Management S.A., Sociedad Gerente de Fondos Comunes de Inversión, Zux Cayman Company Ltd., Zux SGPS, Lda., Agate SARL, Topaz Holding Ltd., Itaú USA Inc, Itaú International Investment LLC, ITrust Servicios Financieros S.A., Albarus S.A., Banco Del Paraná S.A., Amethyst Holding Ltd., Garnet Corporation, Zircon Corporation, Spinel Corporation, Tanzanite Corporation, Itaú Sociedad de Bolsa S.A., Itaú Asia Securities Ltd., Libero Trading International Ltd, IPI - Itaúsa Portugal Investimentos, SGPS Lda.(49%) e Itaú USA Securities, Inc.; and only on 12/31/2008 Itaú Middle East Securities Limited;

(7) Information on foreign consolidated presents balances net of eliminations from consolidation.

## **NOTE 20 – RISK MANAGEMENT**

Risk Management is considered an essential tool for optimizing the use of capital and selecting the best business opportunities, in order to obtain the best risk and return ratio for its stockholders, being performed by ITAÚ CONSOLIDATED, by way of the holding company ITAÚ UNIBANCO, through its Management Committees. The risk appetite management is centralized in one of these committees, being responsible for releasing general policies and the consolidated risk assessment, whereas the operational management is carried out by committees specific to each type of risk that establish parameters to be followed by the business areas, which in turn are monitored independently by the control area.

This process is continuous, permanently reviewed and supports the Group's strategies.

Further details on the risk control process can be found on the website (<http://www.itauni.com.br>), in the following route: Corporate Governance/Risk Management.

### **I - Market Risk**

This is the risk associated with the probability that a variation in the value of assets and liabilities, caused by uncertainties about changes in prices and market rates, incurs losses for the company.

The risk control process starts with the setting of limits, approved by the Financial Risk Management Committee, responsible for the market risk management, based on the risk appetite and financial capacity of each main unit. These limits are informed to the risk control areas of the business units that carry out the daily activities of risk management and periodically provide information to the consolidated risk control area, which monitors the scope, accuracy and quality of controls. The risk control cycle is completed with the disclosure of the consolidation of market risks to the Committee.

#### **Value at Risk (VaR)**

The risk assessment process quantifies the exposure to and the appetite for risk using the risk limits based on statistical criteria (VaR Statistical: level of confidence at 99% - is a statistical measure that estimates the expected potential maximum economic loss under regular market conditions, taking into consideration the time period and confidence level), Stress simulations (VaR Stress – is a measure that estimates the loss under extreme market conditions based on stress scenarios) and economic capital.

The transactions of commercial bank activities and strategic positions are managed using assessments of economic risk and simulations of accounting exposures. Directional trading operations (operations aimed at finding the best market options, in order to take advantage of imperfections in the definition of prices and rates, in relation to the company's expectations), performed by proprietary desks, are mainly controlled by VaR Stress measures and loss prevention limits.

The limits and exposure to market risks are relatively low as compared to the company's stockholders' equity, according to the diversified management of risks. In December 2008 the Total VaR Global of ITAÚ UNIBANCO was R\$ 345,275 (R\$ 308,692 in September 2008).

#### **Sensitivity of portfolio to variation in market risk factors**

In compliance with CVM Instruction No. 475 of December 17, 2008, ITAÚ UNIBANCO carried out a sensitivity analysis by market risk factors to which the group was exposed at December 31, 2008. Each market risk factor was subject to a sensitivity level at 25% and 50%, and the related impact was measured in result, net of tax effects, by providing a vision of the IUBM exposure in derivatives under exceptional scenarios.

In accordance with the criteria for classification of transactions set forth in BACEN Resolution No. 3464/07 and Circular No. 3,354/07 and in the New Capital Accord – Basel II, the analysis was fully applied to the trading and banking portfolios, which exposures will have significant impacts on the company's current result.

The outcome of the analysis, with effect of correlation between the risk factors in the trading portfolio and net of tax effects, points out to a mark-to-market sensitivity of R\$ 370,211 and R\$ 716.571 for those scenarios with variations of 25% and 50%, respectively. In the consolidated portfolio (trading + banking), sensitivity is R\$ 1,407,396 and R\$ 2,654,574 for those scenarios with variations of 25% and 50%, respectively.

The method, parameters and assumptions are in the Management Discussion and Analysis Report (<http://www.itauro.com.br>).

ITAÚ UNIBANCO's Market Risk Management Policy, based on BACEN's guidelines and the Basel Committee's concepts, is a set of principles that drive its strategy towards control and management of market risk of all Business Units and Legal Entities of the Group. It can be found in (<http://www.itauro.com.br>), following in the route: Corporate Governance/Regulations and Policies/Market Risk Management Policy.

## **II - Credit Risk**

This is the risk of a debtor or borrower failing to fulfill the financial obligations of any agreement with the organization, or alternatively, failing to fulfill any agreed-upon provisions.

ITAÚ UNIBANCO's management is performed with the objective of maximizing the risk and return ratio of its assets, maintaining the credit portfolio quality at levels appropriate to the market segments in which it is operating. The strategy is aimed at creating value to its stockholders at levels higher than the minimum return value adjusted to risk.

ITAÚ UNIBANCO establishes its credit policy based on internal factors, such as the client rating criteria and the portfolio development analysis, the registered default levels, the return rates, the portfolio quality and the allocated economic capital; and external factors, related to the economic environment in Brazil and abroad, including market share, interest rates, market default ratios, inflation, consumption increase/decrease.

ITAÚ UNIBANCO's centralized process for making decisions and establishing a credit policy guarantees the synchrony of credit actions and optimization of business opportunities. In retail, decisions are taken based on scoring models that are continuously followed up by evaluating the result of their application in groups to which credits were granted. In wholesale, the several committees are subordinated to the Management Committee, responsible for the credit risk management through a structure of approval levels that ensures the detailed observation of transaction risk, as well as the necessary timing and flexibility in its approval.

To protect the institution against losses arising from loan operations, ITAÚ UNIBANCO determines a provision level commensurate with the risk incurred in each operation through analyses that consider the aspects which determine the client's credit risk. For each operation, the assessment and rating of the client/economic group, the operation rating and status of the operation default are taken into account.

Additionally, ITAÚ UNIBANCO recognizes a provision to cover possible additional losses that may arise due to any reversal of the economic cycle. This provision is usually recognized based on the company's historic default cycle. In view of the worsened economic scenario in the 4<sup>th</sup> quarter of 2008, the default cycle used for calculating the additional provision was widened to include the expected effects of the new scenario.

The set of exposures, probabilities of default and the expected recovery of transactions are included in a capital model that calculates for extreme situations the Group's capital requirement at a safety level of 99.99%.

## **III- Operational Risk**

It is defined as the possibility of occurring losses resulting from flaw, deficiency or inadequacy of internal processes, people and systems, or external events.

The increasing sophistication of banking business environment and the development of technology make the risk profiles of organizations more complex, clearly outlining this operational risk class, which management is not a new practice, but requires now a specific structure, different from those traditionally adopted for credit and market risks.

In line with the principles of CMN Resolution No. 3,380, of June 29, 2006, ITAÚ UNIBANCO formulated a policy on operational risk management, approved by its Audit Committee and ratified by its Board of Directors, to be followed by its local and foreign subsidiaries.

This policy comprises a set of principles, procedures and tools to enable the company to make permanent adjustments to management in view of the nature and complexity of products, services, activities, processes and systems.

The structure formalized in this policy establishes procedures for the identification, assessment, monitoring, control, mitigation and communications related to operational risks, and the roles and responsibilities of the bodies that participate in this structure.

The Central Bank of Brazil's legislation compelling financial institutions to allocate capital for operating risk came into effect as from July 1, 2008. ITAÚ UNIBANCO opted for the use of the Alternative Standardized Approach.

In addition to this structure, ITAÚ UNIBANCO uses the managerial model of economic assessment by business line with the quantification of operational risks incurred through statistical models that enable the recognition of a provision for expected losses and capital allocation for unexpected losses (VaR at a confidence level of 99.9%).

The description of the structure for the operational risk management is available on the website (<http://www.itauri.com.br>), in the route: Corporate Governance/ Rules and Policies/Operational Risk Management Policy.

#### **IV - Liquidity Risk**

It is the risk of the company not having sufficient liquidity to meet its financial obligations, as a result of the mismatching of terms or volumes between scheduled receipts and payments.

For managing cash liquidity in local and foreign currency, the company makes assumptions about future disbursements and receipts, based on statistical and economic and financial models, daily monitored by the control and liquidity management areas. As part of the daily controls, limits for minimum cash and liabilities concentration are established to anticipate actions to ensure comfortable and profitable cash levels.

#### **V - Subscription Risk**

It is the risk of variation in actuarial assumptions used in insurance, pension plan and capitalization products, which may cause changes in the reserves required for such products.

Analogous to Basel II, the International Association of Insurance Supervisors (IAIS) instructs that insurance companies should have a risk management system to supplement the system of minimum capital and solvency margin.

ITAÚ UNIBANCO has been using models for managing its insurance operations since 2006 and anticipated the capital allocation legislation, SUSEP Resolution No. 178, which privileges institutions that adopt the internal modes of risk management. The comprehensiveness of internal models goes beyond the lines set forth by the regulatory body, and practically includes the whole universe of insurance-related products.

## NOTE 21 – ADDITIONAL INFORMATION

- c) **Insurance policy** - ITAÚ and its subsidiaries, despite the low risk exposure due to a physical non-concentration of their assets, have the policy to guarantee their securities and assets at amounts considered sufficient to cover possible claims.
- b) **Investment funds and managed portfolios** - ITAÚ and its subsidiaries manage funds of privatization, fixed-income, shares, open portfolio shares, investment clubs, its customers' and Group portfolios, domestic and foreign, in the amount of R\$ 258,251,802 (R\$ 211,464,044 at 12/31/2007), represented by 12,226 funds and managed portfolios (11,769 at 12/31/2007).
- c) **Funds from Consortia** - ITAÚ, through its subsidiaries manages funds from consortia amounting to R\$ 2,052,870 (R\$ 1,195,562 at 12/31/2007) related to Group Liabilities Arising from Contributions, and this is represented by 108,383 active participants (97,894 at 12/31/2007).
- d) **Fundação Itaú Social** - ITAÚ is the main sponsor of Fundação Itaú Social, the objectives of which are: 1) managing the "Itaú Social Program", which aims at coordinating the organization's role in projects of interest to the community by supporting or developing social, scientific and cultural projects, mainly in the elementary education and health areas; 2) supporting projects or initiatives in progress, supported or sponsored by entities qualified to work in the "Itaú Social Program"; and 3) providing food and other similar benefits to the employees of ITAÚ and other companies of the group.

Donations made by the consolidated companies totaled R\$ 315 in the period, and the Foundation's social net assets totaled R\$ 645,413 at December 31, 2008. The income arising from its investments will be used to achieve the Foundation's social purposes.

- e) **Instituto Itaú Cultural - IIC** - ITAÚ is a supporter of Instituto Itaú Cultural – IIC, an entity formed to grant incentives, promote and preserve Brazil's cultural heritage. During the period, the consolidated companies donated to IIC the amount of R\$ 36,250 (R\$ 35,000 from 01/01 to 12/31/2007).
- f) **Instituto Unibanco** - ITAÚ and subsidiaries sponsor Instituto Unibanco, an institution whose objective is to support projects on social assistance, particularly education, culture, promotion of integration to labor market, and environmental protection, directly or supplementary, through the civil society's institutions.
- g) **Instituto Unibanco de Cinema** - ITAÚ and its subsidiaries sponsor Instituto Unibanco de Cinema, an entity whose objective is (i) the fostering of culture in general; and (ii) providing access of low income population to cinematography, videography and similar productions, for which it shall maintain movie theaters owned or managed by itself, and theaters to screen art films, videos, video-laser discs and other related activities, as well as to screen and divulge films of great importance, especially those produced in Brazil. During the period from October 1 to December 31, 2008, the consolidated companies donated R\$ 1,028.
- h) **Associação Classe "A"** - ITAÚ and its subsidiaries sponsor Associação Classe "A", an entity whose objective is the provision of social services for the welfare of beneficiaries, in the way and conditions established by its Internal Rules, and according to the funds available. These services may include, among others, the promotion of cultural, educational, sports, entertainment and health care activities. During the period from October 1 to December 31, 2008, the consolidated companies donated R\$ 98.
- i) **Instituto Assistencial Pedro di Perna** - ITAÚ and its subsidiaries sponsor Instituto Assistencial Pedro di Perna, an entity whose objective is the provision of social services, stimulate sport activities, and promote recreation, aimed at the welfare of its members, in the way and conditions established by its Internal Rules, and according to the funds available.

j) **Capital Rearrangement** - In the privatization of BANERJ, which took place on 7/8/1997, the State of Rio de Janeiro set up a fund to ensure to BANERJ and its subsidiary companies a capital rearrangement due to civil, commercial, labor, tax and administrative contingencies from periods prior to the privatization and, also, set up another fund for the payment of obligations assumed with the participants of PREVI-BANERJ. With the merger of Banerj, the guarantee was transferred to ITAÚ.

k) **Profit sharing – Employees – Law 10,101 of December 19, 2000** – In accordance with the conditions approved in the collective bargaining, the amount R\$ 661,652 (R\$ 544,726 from 01/01 to 12/31/2007) was allocated to employee profit sharing, net of tax effects.

**l) Minority interests in subsidiaries**

	Stockholders' equity		Results	
	12/31/2008	12/31/2007	01/01 to 12/31/2008	01/01 to 12/31/2007
Itau Bank, Ltd. (1)	930,575	707,842	-	-
Banco Itaú Europa S.A.(Note 2a l)	-	807,288	(104,594)	93,934
Itaú XL Seguros Corporativos S.A.	106,572	102,085	(6,673)	(14,451)
Miravalles Empreendimentos e Participações S.A. (2)	85,994	90,900	4,199	31,516
Três "B" Empreendimentos e Participações Ltda. (3)	70,201	64,549	(7,834)	(9,662)
Itaú Gestão de Ativos S.A. (4)	59,820	60,952	1,114	(1,565)
Investimentos Bemge S.A. (5)	15,945	15,894	(1,049)	(1,754)
Kinea Investimentos S.A. (6)	1,879	2,165	287	835
Unibanco Participações Societárias S.A.	1,078,137	-	(68,999)	-
Itauseg Participações S.A.	3,483,873	3,060,619	(436,559)	(670,906)
Itaú Corretora de Valores S.A.	418,020	328,075	(228,477)	(220,971)
Banco Itaucard S.A.	7,809,765	6,367,641	(2,794,391)	(3,426,337)
Other	171,929	38,514	(22,835)	(3,605)
<b>Total</b>	<b>14,232,710</b>	<b>11,646,524</b>	<b>(3,665,811)</b>	<b>(4,222,966)</b>

(1) Represented by redeemable preferred shares issued on December 31, 2002 by Itau Bank Ltd., in the amount of US\$ 393,072 thousand, with maturity on March 31, 2015 and semiannual dividends calculated based on LIBOR plus 1.25% p.a.;

(2) Parent company of Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento;

(3) Indirect subsidiary of Cia. Itaú de Capitalização;

(4) Indirect subsidiary of Itaú Vida e Previdência S.A.;

(5) Indirect subsidiary of Banco Itaucard S.A.;

(6) Indirect subsidiary of Banco Itaú S.A., up to 08/31/2008 indirect subsidiary of Banco Itaubank S.A.

m) Exclusion of nonrecurring effects, net of tax effects

	01/01 to 12/31/2008	01/01 to 12/31/2007
Sale of investments	219,436	1,705,174
Serasa S.A.	-	490,565
Redecard S.A.	-	1,049,670
BM&F Bovespa	29,225	164,939
Visa, Inc.	95,229	-
Mastercard, Inc.	54,756	-
Banco de Fomento de Angola (Investment held by BPI)	40,226	-
Provision for contingencies - Economic Plans	(174,057)	(206,220)
Sale and adjustment to market value of shares of Banco Comercial Português, S.A. held by BPI	(29,279)	-
Income from sale of the former head office of Banco Itaubank S.A.	-	75,452
Amortization of goodwill	(13,011,909)	(58,113)
Itaú Unibanco merger	(12,790,485)	-
ITAÚ EUROPA Operations	(70,486)	-
Purchases of BPI shares	(139,036)	(35,115)
Other	(11,902)	(22,998)
Effect of adoption of Law No. 11,638	(55,502)	-
Stock based compensation	(21,882)	-
Lease	(33,620)	-
Provision for integration expenditures - ITAÚ UNIBANCO	(888,358)	-
Equalization of criteria ITAÚ UNIBANCO	(858,593)	-
Allowance for loan losses (PDD) – Adjustment to the minimum required by Resolution No. 2,682	(215,820)	-
Provisions for contingent liabilities and legal liabilities	(249,967)	-
Other	(392,806)	-
PDD Additional allowance for loan losses	(2,273,676)	(264,000)
Other non-recurring events	(29,982)	591
<b>Total</b>	<b>(17,101,920)</b>	<b>1,252,884</b>

## n) Law No. 11,638

On December 28, 2007, Law No. 11,638 was approved in order to amend and revoke some provisions of Law No. 6,404, of December 15, 1976, and Law 6,385, of December 7, 1976 in connection with accounting practices, preparation and disclosure of financial statements. This law sets forth that the rules issued by regulatory bodies 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:

### I – Effects on Disclosure

- Disclosure of the Statement of Cash Flows prepared based on the indirect method in lieu of the Statement of Changes in Financial Position. This Statement is not presented in comparison with prior periods in accordance with CMN Resolution No. 3,604 of August 29, 2008;
- Criteria for classification and valuation of financial instruments at market price. ITAÚ CONSOLIDATED has already applied these criteria in compliance with the rules enacted by regulatory bodies (Notes 4c and 7);
- Maintenance of the revaluation reserves balance, in subsidiaries, in the amount of R\$ 8,738, according to CMN Resolution No. 3,565 of May 29, 2008 and CVM Instruction No. 469 of May 2, 2008. This reserve will be realized according to the depreciation term of the revalued asset or when it is written off.
- 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.
- 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 software purchased were reclassified from Deferred Charges to Fixed Assets and Intangible Assets, respectively, including for comparison purposes;
- Periodic analysis on recognition, measurement and disclosure of losses in relation to the recoverable amount of assets, as regulated by CMN Resolution No. 3,566, of May 29, 2008. No losses were found by the assessment carried out by Management in the 4<sup>th</sup> quarter of 2008;
- Creation of the subgroup “Intangible assets” in Permanent Assets, in order to classify any rights whose subjects are intangible assets intended for maintenance of the company or which are exercised for such purpose, including acquired goodwill. Accordingly, rights for acquisition of payroll and acquisition of customer portfolio and software were reclassified from Prepaid Expenses and Deferred Charges, respectively, including for comparison purposes;
- Funding-related expenses: In accordance with CVM Resolution No. 556, of November 12, 2008, funding related expenses shall be recorded as a reduction to respective liabilities.

### II - Effects on Stockholders' Equity and Income for the Year

- Lease operations: Unibanco is a lessee in lease operations. According to CVM Resolution No. 554, of November 12, 2008, it was recorded in assets and the corresponding financial liability was recognized. Any adjustments to operation were recorded in Retained Earnings and in the Results for 2008, net of any deferred taxes.
- Share-based Payments: In compliance with CVM Resolution No. 562, of November 17, 2008, the fair value of options granted to officers started being recognized proportionally to the vesting period, as Personnel expenses, having as contra-entry the Capital Reserves account. The effects related to prior years arising from the application of the aforementioned procedure were recorded in Revenue Reserves.



Following is a summary of the impacts from the adoption of such rules, net of tax effects:

Granting of stock options (1)	(88,087)
Results	(21,882)
Stockholders' equity (2)	(66,205)
Lease	(48,756)
Results	(33,620)
Stockholders' equity (3)	(15,136)

(1) Recorded in Capital reserves.

(2) Recorded in Profit sharing expenses.

(3) Recorded in Retained earnings.

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 CONSOLIDATED 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 No. 3,619, of September 30, 2008. 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;
- Change in 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, the controlling stockholder of ITAÚ CONSOLIDATED, annually releases its 20-F report containing the financial statements prepared in accordance with the USGAAP, which are more similar to the International Financial Reporting Standards (IFRS) than the Brazilian accounting practices in force before the enactment of Law No. 11,638.

## **o) Subsequent events**

At the ASM held on February 28, 2008, stockholders resolved on the full mergers of the stockholders' equity of E. Johnston Representação e Participações S.A. (after the merger of Unibanco Holdings S.A.), BBA HE Participações S.A., Itaú BBA Participações S.A. and the merger of part of the equity of Unibanco – União de Bancos Brasileiros S.A. related to retail operations, which is still awaiting approval of BACEN.

**Banco Itaú S.A**

To Directors and Stockholders

Banco Itaú S.A.

- 1 We have audited the accompanying consolidated balance sheet of Banco Itaú S.A. and its subsidiaries (consolidated) as of December 31, 2008, and the related consolidated statements of income and of cash flows, and of changes in stockholders' equity of the parent company for the year 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 and its subsidiaries, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Banco Itaú S.A. and its subsidiaries (consolidated) at December 31, 2008 and the consolidated results of operations and of cash flows, as well as the changes in stockholders' equity of the parent company for the year 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 consolidated balance sheet and the consolidated statements of income and of changes in financial position, and statement of the changes in stockholders' equity of the parent company for the year then ended, on which we issued an unqualified opinion, dated February 11, 2008. As mentioned in Note 21(n), 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, 2008

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5Emerson Laerte da Silva  
Contador CRC 1SP171089/O-3