



FINANCIAL STATEMENTS

**JUNE 2009**

**MANAGEMENT REPORT**

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We present the financial statements of Banco Itaú BBA S.A. ("Itaú BBA") for the first semester of 2009. As of June 30 2009, assets totaled R\$ 140.5 billion, net equity was R\$ 5.8 billion and net profits for the year were R\$ 1.1 billion.

In the Investment Banking segment, Itaú BBA participated in debenture and promissory note transactions totaling R\$ 6.7 billion, plus R\$650 million in securitization transactions. In the Anbid (National Association of Investment Banks) ranking, which covers transactions up to June 2009, Itaú BBA ranked first in distribution of fixed-income and securitization transactions.

In capital markets, Itaú BBA was the joint bookrunner of subsequent public offering that amounted to R\$ 2.2 billion. With this offering, Itaú BBA sustained first in Anbid (National Association of Investment Banks) ranking of distribution in the last twelve months.

For the second consecutive time, Itaú BBA received the award for the Brazil category of the "World's Best Investment Banks 2009" from Global Finance, an American publication specialized in financial institutions all over the world.

Credit portfolio including guarantees presented a growth of 10,4% when compared with December 2008. Noteworthy was the excellent credit quality, where 90% of loans were assigned "AA", "A", and "B" risk ratings according to the criteria of Brazilian Central Bank Resolution 2.682.

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

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

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

**BALANCE SHEETS AT JUNE 30**

In thousands of reais

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and banks .....	231,364	299,269
Interbank investments (Notes 3b and 5)		
Investments in the open market .....	13,712,096	1,477,273
Interbank deposits .....	18,253,930	22,177,887
	<u>31,966,026</u>	<u>23,655,160</u>
Securities and derivative financial instruments (Notes 3c, 3d, 6 and 7)		
Own portfolio .....	9,168,407	5,783,317
Subject to repurchase agreements .....	3,606,602	1,043,220
Deposits with the Brazilian Central Bank .....	-	4,468
Securities given in guarantee .....	3,002,241	3,574,631
Derivative financial instruments .....	3,634,035	2,617,257
	<u>19,411,285</u>	<u>13,022,893</u>
Interbank accounts		
Payments and receipts pending settlement .....	164	42
Deposits with the Brazilian Central Bank .....	5,657	10,191
Interbank onlendings .....	5,705	9,695
Correspondents .....	162,859	34,790
	<u>174,385</u>	<u>54,718</u>
Interdepartmental accounts - Internal transfers of resources .....	1,844	-
Loans and other credit operations (Note 8)		
Loans and other credit operations (Note 3e) .....	24,960,938	16,072,640
Allowance for loan losses (Note 3g) .....	(529,665)	(109,095)
	<u>24,431,273</u>	<u>15,963,545</u>
Lease operations (Notes 3f, 3g and 8f)		
Lease receivables .....	506,380	61,100
Unearned income from leases .....	(452,241)	(58,528)
Allowance for lease losses .....	(32,787)	(944)
	<u>21,352</u>	<u>1,628</u>
Other receivables		
Foreign exchange portfolio (Note 9) .....	13,814,725	8,348,714
Income receivable .....	26,283	17,308
Negotiation and intermediation of securities (Note 10) .....	228,207	711,656
Sundry receivables (Note 18a) .....	1,035,150	297,754
	<u>15,104,365</u>	<u>9,375,432</u>
Other assets		
Other assets .....	21,117	13,923
Prepaid expenses .....	41,036	17,352
	<u>62,153</u>	<u>31,275</u>
<b>TOTAL CURRENT ASSETS</b> .....	<b>91,404,047</b>	<b>62,403,920</b>
<b>LONG-TERM RECEIVABLES</b>		
Interbank investments (Notes 3b and 5)		
Investments in the open market .....	11,339,390	16,501,013
Interbank deposits .....	8,391,208	11,744,738
	<u>19,730,598</u>	<u>28,245,751</u>
Securities and derivative financial instruments (Notes 3c, 3d, 6 and 7)		
Own portfolio .....	2,605,556	2,345,465
Subject to repurchase agreements .....	5,914,172	1,198,188
Securities given in guarantee .....	132,460	746,802
Derivative financial instruments .....	935,018	854,431
	<u>9,587,206</u>	<u>5,144,886</u>
Loans and other credit operations (Note 8)		
Loans and other credit operations (Note 3e) .....	14,433,623	9,163,229
Allowance for loan losses (Note 3g) .....	(1,323,417)	(210,064)
	<u>13,110,206</u>	<u>8,953,165</u>
Lease operations (Notes 3f, 3g and 8f)		
Lease receivables .....	4,088,170	869,543
Unearned income from leases .....	(4,007,519)	(862,505)
Allowance for lease losses .....	(45,382)	(4,460)
	<u>35,269</u>	<u>2,578</u>
Other receivables		
Foreign exchange portfolio (Note 9) .....	583	2,232,993
Income receivable .....	2,305	80
Sundry receivables (Note 18a) .....	1,208,030	735,627
	<u>1,210,918</u>	<u>2,968,700</u>
Other assets - prepaid expenses .....	56,844	20,704
<b>TOTAL LONG-TERM RECEIVABLES</b> .....	<b>43,731,041</b>	<b>45,335,784</b>
<b>PERMANENT ASSETS</b>		
Investments (Notes 3h and 11a)		
Investments in affiliates and subsidiaries		
Domestic .....	122,426	112,642
Abroad .....	1,985	1,734
	<u>124,411</u>	<u>114,376</u>
Other investments .....	8,729	8,322
Provision for loss .....	(3,154)	(361)
	<u>129,986</u>	<u>122,337</u>
Fixed assets (Notes 3i and 11b)		
Properties for own use .....	19,081	12,605
Other fixed assets .....	109,912	62,183
Accumulated depreciation .....	(52,656)	(43,925)
	<u>76,337</u>	<u>30,863</u>
Leased assets (Notes 3j and 8f)		
Leased assets .....	3,316,215	660,160
Accumulated depreciation .....	119,249	4,348
	<u>3,435,464</u>	<u>664,508</u>
Intangible assets (Notes 3k and 11c)		
Acquisition of rights to credit payroll .....	270	-
Other intangible assets .....	2,179,213	760,905
Accumulated amortization .....	(474,179)	(239,641)
	<u>1,705,304</u>	<u>521,264</u>
<b>TOTAL PERMANENT ASSETS</b> .....	<b>5,347,091</b>	<b>1,338,972</b>
<b>TOTAL ASSETS</b> .....	<b>140,482,179</b>	<b>109,078,676</b>

**BALANCE SHEETS AT JUNE 30**

In thousands of reais

	<b>2009</b>	<b>2008</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Deposits (Note 3b)		
Demand deposits .....	676,100	274,469
Interbank deposits .....	26,273,031	17,742,046
Time deposits .....	10,143,184	4,768,805
Other deposits .....	5,317	1,032
Securities sold under repurchase agreements (Note 3b)	37,097,632	22,786,352
Own portfolio .....	6,841,105	1,485,932
Third party portfolio .....	16,593,252	8,906,222
Free portfolio .....	170,332	-
Funds from acceptances and issue of securities (Note 3b)	23,604,689	10,392,154
Real estate notes, mortgages, credits and similar .....	836,736	956,395
Debentures .....	-	33,484
Issue of securities abroad .....	1,392,659	303,277
Interbank accounts - receipts and payments pending settlement .....	2,229,395	1,293,156
Interdepartmental accounts - third party funds in transit .....	476	2,483
Borrowings and onlendings (Note 3b)	906,166	526,035
Domestic borrowings - other institutions .....	1,542	1,516
Foreign borrowings .....	4,140,192	5,491,234
Interbank onlendings .....	14,278	202
Domestic onlendings - official institutions - National Bank for Economic and Social Development (BNDES) .....	584,679	417,950
Domestic onlendings - official institutions - Government Agency for Machinery and Equipment (FINAME) .....	602,065	561,973
Domestic onlendings - official institutions - Others .....	107,513	57,904
Derivative financial instruments (Notes 3d and 7) .....	5,450,269	6,530,779
Other liabilities	2,815,163	3,017,306
Collection and payment of taxes .....	111,258	42,778
Foreign exchange portfolio (Note 9) .....	14,243,999	8,561,047
Social and statutory .....	586,591	378,995
Taxes and social security contributions (Note 18c) .....	588,999	544,439
Negotiation and intermediation of securities (Note 10) .....	180,466	388,589
Creditors for advance of residual value (Notes 3f and 8f) .....	47,430	-
Sundry liabilities (Note 18b) .....	169,716	139,960
<b>TOTAL CURRENT LIABILITIES</b> .....	<b>88,032,249</b>	<b>54,604,073</b>
<b>LONG-TERM LIABILITIES</b>		
Deposits (Notes 3b and 15)		
Interbank deposits .....	27,776,087	30,977,305
Time deposits .....	3,862,620	1,634,843
Securities sold under repurchase agreements (Notes 3b and 15)	31,638,707	32,612,148
Own portfolio .....	2,827,603	800,126
Third party portfolio .....	2,550,397	6,095,304
Funds from acceptances and issue of securities (Notes 3b and 15)	5,378,000	6,895,430
Real estate notes, mortgages, credits and similar .....	14,662	25,617
Debentures .....	-	110,640
Issue of securities abroad .....	883,523	576,575
Borrowings and onlendings (Notes 3b and 15)	898,185	712,832
Foreign borrowings .....	1,474,840	1,047,568
Interbank onlendings .....	2,378	29,768
Domestic onlendings - official institutions - BNDES .....	3,051,083	2,233,858
Domestic onlendings - official institutions - FINAME .....	602,477	627,468
Domestic onlendings - official institutions - Others .....	81,965	87,572
Derivative financial instruments (Notes 3d and 7) .....	5,212,743	4,026,234
Other liabilities	1,101,412	776,267
Foreign exchange portfolio (Note 9) .....	619	2,213,114
Social and statutory .....	10,890	11,562
Taxes and social security contributions (Note 18c) .....	1,199,553	768,960
Creditors for advance of residual value (Notes 3f and 8f) .....	1,152,358	162,399
<b>TOTAL LONG-TERM LIABILITIES</b> .....	<b>2,363,420</b>	<b>3,156,035</b>
<b>DEFERRED INCOME (Note 3o)</b> .....	<b>42,470</b>	<b>20,369</b>
<b>STOCKHOLDERS' EQUITY (Note 16)</b>		
Capital - Domestic .....	4,224,086	4,223,086
Capital reserves .....	15,372	15,344
Revenue reserves .....	1,326,195	1,873,824
Carrying value adjustment (Notes 3c, 3d and 6) .....	46,077	(40,229)
Retained earnings .....	203,263	203,263
<b>TOTAL STOCKHOLDERS' EQUITY</b> .....	<b>5,814,993</b>	<b>6,275,288</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> .....	<b>140,482,179</b>	<b>109,078,676</b>

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

**STATEMENT OF INCOME FOR THE SIX-MONTH PERIODS ENDED JUNE 30 (Note 3p)**

In thousands of reais, except net income per share

	<b>2009</b>	<b>2008</b>
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>		
Loans and other credit operations .....	1,518,201	797,685
Lease operations .....	604,555	27,044
Securities .....	2,734,951	3,034,333
Derivative financial instruments (Note 7e) .....	1,970,305	780,221
Foreign exchange, net (Note 2) .....	-	159,228
Compulsory deposits .....	-	10
	<b>6,828,012</b>	<b>4,798,521</b>
<b>EXPENSES ON FINANCIAL INTERMEDIATION</b>		
Funds obtained in the market .....	(4,134,540)	(3,236,963)
Borrowings, credit assignments and onlendings .....	618,245	(187,100)
Lease operations .....	(427,228)	(22,046)
Foreign exchange, net (Note 2) .....	(292,709)	-
Allowance for loan losses (Note 8g) .....	108,386	(60,974)
	<b>(4,127,846)</b>	<b>(3,507,083)</b>
<b>GROSS INCOME FROM FINANCIAL INTERMEDIATION</b> .....	<b>2,700,166</b>	<b>1,291,438</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>		
Commissions and fees (Note 18d) .....	191,539	171,148
Income from bank charges .....	12,175	7,905
Personnel expenses (Note 18e) .....	(163,999)	(130,869)
Other administrative expenses (Note 18f) .....	(325,348)	(173,267)
Taxes (Notes 3n and 18g) .....	(181,059)	(101,919)
Equity in the earnings of subsidiaries and associates (Note 11a) .....	(5,475)	6,394
Other operating income (Note 18h) .....	38,696	52,067
Other operating expenses (Note 18i) .....	(19,708)	(20,194)
	<b>(453,179)</b>	<b>(188,735)</b>
<b>NET OPERATING INCOME</b> .....	<b>2,246,987</b>	<b>1,102,703</b>
<b>NON-OPERATING INCOME (EXPENSES), NET (Note 18j)</b> .....	<b>8,494</b>	<b>21,510</b>
<b>PROFIT BEFORE TAXATION AND PROFIT SHARING</b> .....	<b>2,255,481</b>	<b>1,124,213</b>
<b>INCOME TAX (Notes 3n and 13a)</b> .....	<b>(514,210)</b>	<b>(321,341)</b>
<b>SOCIAL CONTRIBUTION ON NET INCOME (Notes 3n and 13a)</b> .....	<b>(293,804)</b>	<b>(180,007)</b>
<b>DEFERRED TAXES (Notes 3n and 13a)</b> .....	<b>(165,398)</b>	<b>163,333</b>
<b>PROFIT SHARING</b> .....	<b>(200,036)</b>	<b>(101,273)</b>
<b>NET INCOME</b> .....	<b>1,082,033</b>	<b>684,925</b>
<b>NET INCOME PER SHARE - in reais</b> .....	<b>102.38</b>	<b>64.80</b>

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

In thousands of reais

	Capital reserves			Revenue reserves			Carrying value adjustments	Retained earnings	Total
	Capital	Fiscal Capital increase	incentives and other	Legal	Statutory	Special			
<b>Balances at December 31, 2007</b> .....	<b>4,223,086</b>	-	<b>15,256</b>	<b>289,141</b>	<b>1,153,909</b>	-	<b>891</b>	<b>203,263</b>	<b>5,885,546</b>
Revaluation of stock exchange membership certificates .....	-	-	88	-	-	-	-	-	88
Carrying value adjustments .....	-	-	-	-	-	-	(41,120)	-	(41,120)
Net income for the six-month period .....	-	-	-	-	-	-	-	684,925	684,925
Appropriation to legal reserve .....	-	-	-	34,246	-	-	-	(34,246)	-
Dividends paid/provided (R\$6.874 per share) .....	-	-	-	-	(46,624)	-	-	(26,027)	(72,651)
Interest on own capital paid/provided (R\$17.173 per share) .....	-	-	-	-	-	-	-	(181,500)	(181,500)
Constitution of statutory reserves .....	-	-	-	-	443,152	-	-	(443,152)	-
<b>Balances at June 30, 2008</b> .....	<b>4,223,086</b>	-	<b>15,344</b>	<b>323,387</b>	<b>1,550,437</b>	-	<b>(40,229)</b>	<b>203,263</b>	<b>6,275,288</b>
<b>Changes in the period</b> .....	-	-	<b>88</b>	<b>34,246</b>	<b>396,528</b>	-	<b>(41,120)</b>	-	<b>389,742</b>
<b>Balances at December 31, 2008</b> .....	<b>4,223,086</b>	-	<b>15,372</b>	<b>309,697</b>	<b>1,129,851</b>	-	<b>(17,288)</b>	<b>203,263</b>	<b>5,863,981</b>
Merger of Banco Único S.A. (Note 1b) .....	152,705	213,255	4,444	19,693	55,342	213	-	6,110	451,762
Cancellation of shares of Banco Único S.A. (Note 1b) .....	(152,705)	(213,255)	(4,444)	(19,693)	(55,342)	(213)	-	-	(445,652)
Split-offs of Banco Itaú S.A. (Note 1b) .....	250,723	-	4,376	-	-	-	(1,573)	(18,908)	234,618
Cancellation of shares of Banco Itaú BBA S.A. (Note 1b) .....	(250,723)	-	(4,376)	-	-	-	1,573	9,577	(243,949)
Capital increase .....	-	1,000	-	-	-	-	-	-	1,000
Carrying value adjustments .....	-	-	-	-	-	-	63,365	-	63,365
Net income for the six-month period .....	-	-	-	-	-	-	-	1,082,033	1,082,033
Appropriation to legal reserve .....	-	-	-	53,941	-	-	-	(53,941)	-
Dividends paid/provided (R\$96.867 per share) .....	-	-	-	-	(900,000)	-	-	(123,795)	(1,023,795)
Interest on own capital paid/provided (R\$15.930 per share) .....	-	-	-	-	-	-	-	(168,370)	(168,370)
Constitution of statutory reserves .....	-	-	-	-	732,706	-	-	(732,706)	-
<b>Balances at June 30, 2009</b> .....	<b>4,223,086</b>	<b>1,000</b>	<b>15,372</b>	<b>363,638</b>	<b>962,557</b>	-	<b>46,077</b>	<b>203,263</b>	<b>5,814,993</b>
<b>Changes in the period</b> .....	-	<b>1,000</b>	-	<b>53,941</b>	<b>(167,294)</b>	-	<b>63,365</b>	-	<b>(48,988)</b>

**STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED JUNE 30**

In thousands of reais

	<b>2009</b>	<b>2008</b>
<b>OPERATING ACTIVITIES:</b>		
Adjusted net income:		
Net income .....	1,082,033	684,925
Adjustments to net income:		
Adjustment to market value of securities, derivative financial instruments and arbitrage (assets/liabilities) .....	(286,999)	(212,777)
Allowance for loan losses .....	(108,386)	60,974
Provision for loss in interbank investments .....	(1,563)	-
Provision of derivative overdue .....	35,472	-
Amortization and depreciation .....	6,491	2,910
Goodwill amortization .....	164,121	69,815
Adjustment to legal liabilities - tax and social security .....	170,196	90,196
Adjustment to escrow deposits .....	(23,449)	(20,818)
Adjustment to provision for contingent liabilities .....	3,394	2,217
Deferred taxes .....	344,741	(69,922)
Equity in the earnings of subsidiaries and associates .....	5,475	(6,394)
Income from available for sale securities .....	(471,855)	(437,257)
Income from held to maturity securities .....	8,454	2,355
(Income) loss from sale of investments .....	-	(20,597)
(Income) loss from disposal of assets not for own use .....	-	409
	<u>(153,908)</u>	<u>(538,889)</u>
	928,125	146,036
Change in assets and liabilities		
(Increase) decrease in interbank investments .....	(11,163,475)	(8,866,642)
(Increase) decrease in securities and derivative financial instruments (assets/liabilities) .....	(1,992,221)	(220,377)
(Increase) decrease in compulsory deposits with the Brazilian Central Bank .....	(4,658)	(7,733)
(Increase) decrease in interbank and interdepartmental accounts (assets/liabilities) .....	47,484	7,668
(Increase) decrease in loan, lease and other credit operations .....	(1,883,507)	(3,255,061)
(Increase) decrease in other receivables and other assets .....	72,337	(68,738)
(Increase) decrease in foreign exchange portfolio and negotiation and intermediation of securities (assets/liabilities) .....	1,296,302	169,225
Increase (decrease) in deposits .....	(3,277,892)	259,214
Increase (decrease) in securities sold under repurchase agreements .....	18,350,562	5,322,739
Increase (decrease) in funds from acceptances and issue of securities .....	(93,615)	651,309
Increase (decrease) in borrowings and onlendings .....	(4,854,921)	15,226
Increase (decrease) in other liabilities .....	865,591	471,960
(Decrease) increase in deferred income .....	(1,691)	(8,491)
Payment of income tax and social contribution .....	(227,163)	(148,346)
	<u>(2,866,867)</u>	<u>(5,678,047)</u>
<b>Net cash provided by / (used in) operating activities .....</b>	<b>(1,938,742)</b>	<b>(5,532,011)</b>
<b>INVESTING ACTIVITIES:</b>		
Funds from sale of available for sale securities .....	4,195,690	3,879,655
Funds from redemption of held to maturity securities .....	16,798	13,331
Disposal of assets not for own use .....	-	933
Disposal of investments .....	-	21,985
Payment of income tax and social contribution from sale of investments .....	-	(269)
Sale of fixed assets .....	56	17
Purchase of available for sale securities .....	(8,202,177)	(4,974,093)
Purchase of held to maturity securities .....	(20,921)	-
Purchase of assets not for own use .....	(4,080)	-
Purchase of investments .....	(1,089)	(1,715)
Goodwill on purchase of investments .....	-	(1,534)
Net assets from incorporation (Note 1b) .....	(3,221)	-
Purchase of fixed assets .....	(42,967)	(6,048)
Purchase of intangible assets .....	(1,414,296)	-
<b>Net cash provided by / (used in) investing activities .....</b>	<b>(5,476,207)</b>	<b>(1,067,738)</b>
<b>FINANCING ACTIVITIES:</b>		
Capital increase .....	1,000	-
Interest on own capital and dividends paid .....	(1,026,624)	(176,680)
Payment of income tax and social contribution of interest on own capital .....	(22,795)	(22,951)
<b>Net cash provided by / (used in) financing activities .....</b>	<b>(1,048,419)</b>	<b>(199,631)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS .....</b>	<b>(8,463,368)</b>	<b>(6,799,380)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
At the beginning of the six-month period .....	17,960,573	11,521,512
At the end of the six-month period (Notes 3a and 4) .....	9,497,205	4,722,132

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

**1. OPERATIONS****a) Operations**

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

**b) Corporate reorganization**

The corporate reorganizations were intended to integrate the administrative and operational structures, including the streamlining of administrative procedures, improving and optimizing the management of operations.

In accordance with the EGM of February 28, 2009, still under approval by BACEN, the stockholders approved the:

- Purchase and merger of participation in Banco Único S.A. (after merger of net assets of Unibanco - União de Bancos Brasileiros S.A.), comprising net assets amounting to R\$451,762;
- Merger of net assets split-off from Banco Itaú S.A. comprising the participation in Banco Itaú BBA S.A., amounting to R\$234,618.

	<b>a) Banco Único S.A.</b>			<b>b) Banco Itaú S.A.</b>		<b>Total</b>
	<b>Purchase</b>	<b>Merger</b>	<b>Cancellation of shares</b>	<b>Purchase</b>	<b>Cancellation of shares</b>	
<b>ASSETS</b>						
<b>CURRENT ASSETS AND LONG-TERM RECEIVABLES</b>						
Cash and banks .....	-	27	-	-	-	27
Interbank investments .....	-	427,106	-	-	-	427,106
Interbank accounts.....	-	14	-	-	-	14
Loans and other credit operations .....	-	3,637,869	-	-	-	3,637,869
Allowance for loan losses .....	-	(165,131)	-	-	-	(165,131)
Other receivables.....	-	270,023	-	-	-	270,023
	-	<b>4,169,908</b>	-	-	-	<b>4,169,908</b>
<b>PERMANENT ASSETS</b>						
Investments .....	445,652	379	(445,652)	243,949	(243,949)	379
Intangible assets .....	1,163,514	-	-	250,512	-	1,414,026
	<b>1,609,166</b>	<b>379</b>	<b>(445,652)</b>	<b>494,461</b>	<b>(243,949)</b>	<b>1,414,405</b>
<b>TOTAL ASSETS</b> .....	<b>1,609,166</b>	<b>4,170,287</b>	<b>(445,652)</b>	<b>494,461</b>	<b>(243,949)</b>	<b>5,584,313</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES AND LONG-TERM LIABILITIES</b>						
Deposits .....	-	3,702,327	-	259,843	-	3,962,170
Other liabilities						
Social and statutory .....	-	7,378	-	-	-	7,378
Taxes and social security contributions.....	-	8,820	-	-	-	8,820
Sundry liabilities .....	1,609,166	-	-	-	-	1,609,166
	<b>1,609,166</b>	<b>16,198</b>	-	-	-	<b>1,625,364</b>
	<b>1,609,166</b>	<b>3,718,525</b>	-	<b>259,843</b>	-	<b>5,587,534</b>
<b>STOCKHOLDERS' EQUITY</b>						
Capital.....	-	365,960	(365,960)	250,723	(250,723)	-
Capital reserves .....	-	4,444	(4,444)	4,376	(4,376)	-
Revenue reserves .....	-	75,248	(75,248)	-	-	-
Carrying value adjustment.....	-	-	-	(1,573)	1,573	-
Retained earnings .....	-	6,110	-	(18,908)	9,577	(3,221)
	-	<b>451,762</b>	<b>(445,652)</b>	<b>234,618</b>	<b>(243,949)</b>	<b>(3,221)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> .....	<b>1,609,166</b>	<b>4,170,287</b>	<b>(445,652)</b>	<b>494,461</b>	<b>(243,949)</b>	<b>5,584,313</b>
<b>NET ASSETS TRANSFERRED</b> .....	-	<b>451,762</b>	<b>(445,652)</b>	<b>234,618</b>	<b>(243,949)</b>	<b>(3,221)</b>

**2. PRESENTATION OF THE FINANCIAL STATEMENTS**

The financial statements of Itaú BBA have been prepared in accordance with accounting principles established by the Brazilian corporate law, including the amendments introduced by Law 11638/07, and Law 11941/09 (Note 18o), in conformity, when applicable, with instructions issued by the Brazilian Central Bank ("BACEN") and the National Monetary Council ("CMN").

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

As set forth in the sole paragraph of article 7 of BACEN Circular 3068/01, securities classified as trading securities (Note 3c) are presented in the balance sheet under current assets, regardless of their maturity dates.

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



**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**3. SIGNIFICANT ACCOUNTING PRACTICES**

**a) Cash and cash equivalents**

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

**b) Interbank investments, remunerated restricted credits - BACEN, remunerated deposits, securities sold under repurchase agreements, funds from acceptances and issue of securities, borrowings and onlendings and other receivables and payables**

Transactions subject to monetary correction and foreign exchange variation and instruments with fixed charges are recorded at present value, net of the transaction costs incurred, calculated “pro rata die” based on the effective rate of the transactions, according to CVM Deliberation 556/08.

**c) Securities**

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

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

Gains and losses on securities available for sale, when realized, are recognized at the trade date in the statement of income, with a corresponding entry to the stockholders’ equity account, “Carrying value adjustments”.

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

The income from securities, calculated “pro rata die” based on the variation of the contracted index and interest rate, is appropriated to the results of the period, regardless of the category where they are classified.

**d) Derivative financial instruments**

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

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

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

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

**e) Loan and other 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 the 60th day overdue. After the 60th day, income is recognized upon the effective receipt of installments. Income arising from recovery of previously written off operations is classified under income from loans and other credit operations.

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

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

**g) Allowance for loan losses**

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**h) Investments**

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

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

**i) Fixed assets**

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

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

**j) Leased assets**

Leased assets are stated at cost of acquisition, 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 113/98 issued by the Ministry of Finance.

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

**k) Intangible assets**

Correspond to rights acquired over nonphysical assets intended for maintenance of the company or which are exercised for such purpose, according to the CMN Resolution 3642/08. They are composed of rights acquired to credit payrolls, amortized over the agreement terms and goodwill of merged subsidiary arising from the purchase of the investment, which was transferred to intangible assets in accordance with Law 9532/97, to be amortized in up to 64 months.

**l) Impairment of assets**

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

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

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

**i - Contingent assets and liabilities:**

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

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

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

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

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

**n) Taxes**

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

Income tax .....	15.00%
Additional income tax .....	10.00%
Social contribution <sup>(1)</sup> .....	15.00%
PIS.....	0.65%
COFINS.....	4.00%
ISS.....	up to 5.00%

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

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

The changes introduced by Law 11638/07 and Law 11941/09 (articles 37 and 38), which modified the criterion for recognizing revenues, costs and expenses, included in determining the net income for the year, did not produce effects for purposes of determining the taxable income of companies that opt for the Transitory Tax Regime (TTR), such that, for tax purposes, the rules effective on December 31, 2007 were followed. The tax effects arising from the adoption of such rules are recorded, for accounting purposes, in the corresponding deferred tax assets and liabilities.

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**o) Deferred income**

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

**p) Determination of net income**

Net income is recorded on the accrual basis of accounting.

**4. CASH AND CASH EQUIVALENTS**

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

	<b>2009</b>	<b>2008</b>
Cash and cash equivalents.....	231,364	299,269
Interbank deposits (*) .....	3,521,747	2,651,935
Investments in the open market - Funded position .....	5,744,094	1,770,928
	<u>9,497,205</u>	<u>4,722,132</u>

(\*) Composed of deposits contracted for periods of up to 90 days.

**5. INTERBANK INVESTMENTS**

Interbank investments can be summarized as follows:

	<b>2009</b>					<b>2008</b>				
	<b>Balance</b>	<b>Due up to three months</b>	<b>Due from three to six months</b>	<b>Due from six to 12 months</b>	<b>Due after 12 months</b>	<b>Balance</b>	<b>Due up to three months</b>	<b>Due from three to six months</b>	<b>Due from six to 12 months</b>	<b>Due after 12 months</b>
Investments in the open market										
Funded position										
Without free movement .....	4,888,800	1,555,010	445,508	1,182,119	1,706,163	1,419,670	504,288	25,948	-	889,434
With free movement (*) .....	855,294	803,937	51,357	-	-	351,258	330,859	20,399	-	-
	<u>5,744,094</u>	<u>2,358,947</u>	<u>496,865</u>	<u>1,182,119</u>	<u>1,706,163</u>	<u>1,770,928</u>	<u>835,147</u>	<u>46,347</u>	<u>-</u>	<u>889,434</u>
Financed position .....	19,139,696	3,216,668	4,416,843	1,872,958	9,633,227	16,207,358	534,800	60,979	-	15,611,579
Short position .....	167,696	-	167,696	-	-	-	-	-	-	-
	<u>25,051,486</u>	<u>5,575,615</u>	<u>5,081,404</u>	<u>3,055,077</u>	<u>11,339,390</u>	<u>17,978,286</u>	<u>1,369,947</u>	<u>107,326</u>	<u>-</u>	<u>16,501,013</u>
Interbank deposits .....	26,645,138	10,694,108	4,073,019	3,486,803	8,391,208	33,922,625	8,146,623	9,702,194	4,329,070	11,744,738
Total .....	<u>51,696,624</u>	<u>16,269,723</u>	<u>9,154,423</u>	<u>6,541,880</u>	<u>19,730,598</u>	<u>51,900,911</u>	<u>9,516,570</u>	<u>9,809,520</u>	<u>4,329,070</u>	<u>28,245,751</u>

(\*) At June 30, 2009, R\$380,961 (2008 nil) were restricted to guarantee operations in the BM&F Bovespa - Bolsa de Valores, Mercadorias e Futuros ("BM&F Bovespa").

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

(continued)

**6. SECURITIES**

	<b>2009</b>							
	<b>Cost of acquisition<sup>(b)</sup></b>	<b>Market value<sup>(c)</sup></b>	<b>Adjustment (market less cost)</b>		<b>Due up to three months</b>	<b>Due from three to six months</b>	<b>Due from six to 12 months</b>	<b>Maturity</b>
			<b>Gross amount</b>	<b>Net amount</b>				<b>Due after 12 months</b>
<b>Trading: <sup>(a)</sup></b>								
Brazilian government securities .....	4,955,119	5,005,146	50,027		904,069	793,120	985,683	2,322,274
Foreign government securities .....	969,751	968,280	(1,471)		644,189	-	12,292	311,799
Debentures and commercial paper .....	261,814	260,288	(1,526)		27,446	-	14,009	218,833
Shares .....	236,331	252,414	16,083		252,414	-	-	-
Real estate receivables certificates .....	25,235	27,348	2,113		-	4,570	-	22,778
Funds .....	576,987	576,987	-		576,987	-	-	-
	<u>7,025,237</u>	<u>7,090,463</u>	<u>65,226<sup>(d)</sup></u>		<u>2,405,105</u>	<u>797,690</u>	<u>1,011,984</u>	<u>2,875,684</u>
<b>Available for sale:</b>								
Brazilian government securities .....	217	225	8	5	-	35	32	158
Foreign government securities .....	3,611,898	3,658,488	46,590	26,654	18,729	763,681	2,159,469	716,609
Debentures and commercial paper .....	10,539,053	10,535,023	(4,030)	(2,318)	1,221,335	1,419,107	539,897	7,354,684
Shares .....	1,614,215	1,643,059	28,844	16,476	1,643,059	-	-	-
Real estate receivables certificates .....	47,211	51,799	4,588	2,625	15	16	8,147	43,621
Eurobonds and others .....	464,359	468,752	4,393	2,635	3,069	4,064	-	461,619
Funds .....	883,126	883,126	-	-	883,126	-	-	-
	<u>17,160,079</u>	<u>17,240,472</u>	<u>80,393</u>	<u>46,077<sup>(e)</sup></u>	<u>3,769,333</u>	<u>2,186,903</u>	<u>2,707,545</u>	<u>8,576,691</u>
<b>Held to maturity:</b>								
Brazilian government securities .....	74,308	93,348			10,955	-	10,148	53,205
Foreign government securities .....	18,989	20,168			529	-	-	18,460
Debentures and commercial paper .....	5,206	5,206			335	340	699	3,832
	<u>98,503</u>	<u>118,722<sup>(f)</sup></u>			<u>11,819</u>	<u>340</u>	<u>10,847</u>	<u>75,497</u>
<b>Total .....</b>	<u><u>24,283,819</u></u>	<u><u>24,449,657</u></u>			<u><u>6,186,257</u></u>	<u><u>2,984,933</u></u>	<u><u>3,730,376</u></u>	<u><u>11,527,872</u></u>

## NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008

All amounts in thousands of reais, unless otherwise indicated

(continued)

	2008							
	Cost of acquisition <sup>(b)</sup>	Market value <sup>(c)</sup>	Adjustment (market less cost)		Due up to three months	Due from three to six months	Due from six to 12 months	Maturity Due after 12 months
			Gross amount	Net amount				
<b>Trading:</b> <sup>(a)</sup>								
Brazilian government securities .....	2,809,042	2,769,019	(40,023)		810,097	145,293	429,938	1,383,691
Foreign government securities .....	274,808	278,846	4,038		1,000	734	-	277,112
Debentures and commercial paper .....	58,229	57,288	(941)		16,934	-	11,995	28,359
Shares .....	11,726	9,070	(2,656)		9,070	-	-	-
Real estate receivables certificates .....	105,301	111,926	6,625		-	16,800	-	95,126
Eurobonds and others .....	367,213	361,989	(5,224)		-	-	361,989	-
Funds .....	372,428	372,428	-		372,428	-	-	-
	<u>3,998,747</u>	<u>3,960,566</u>	<u>(38,181)<sup>(d)</sup></u>		<u>1,209,529</u>	<u>162,827</u>	<u>803,922</u>	<u>1,784,288</u>
<b>Available for sale:</b>								
Brazilian government securities .....	13,315	13,321	6	4	-	33	13,118	170
Foreign government securities .....	4,968,763	4,902,008	(66,755)	(42,070)	26,768	1,499,723	1,013,437	2,362,080
Debentures and commercial paper .....	3,908,582	3,909,990	1,408	900	1,118,116	726,141	545,483	1,520,250
Shares .....	540,536	539,624	(912)	(602)	539,624	-	-	-
Real estate receivables certificates .....	66,667	68,531	1,864	1,173	2,040	219	8,280	57,992
Eurobonds and others .....	312,897	313,506	609	366	16,420	6,999	1,605	288,482
Funds .....	906,968	906,968	-	-	906,968	-	-	-
	<u>10,717,728</u>	<u>10,653,948</u>	<u>(63,780)</u>	<u>(40,229)<sup>(e)</sup></u>	<u>2,609,936</u>	<u>2,233,115</u>	<u>1,581,923</u>	<u>4,228,974</u>
<b>Held to maturity:</b>								
Brazilian government securities .....	74,902	93,891			8,501	1,087	9,071	56,243
Debentures and commercial paper .....	6,675	6,675			356	358	723	5,238
	<u>81,577</u>	<u>100,566<sup>(f)</sup></u>			<u>8,857</u>	<u>1,445</u>	<u>9,794</u>	<u>61,481</u>
<b>Total .....</b>	<u>14,798,052</u>	<u>14,715,080</u>			<u>3,828,322</u>	<u>2,397,387</u>	<u>2,395,639</u>	<u>6,074,743</u>

<sup>(a)</sup> Securities classified as trading securities are presented in the balance sheet as current assets, regardless of their maturity dates.

<sup>(b)</sup> Cost of acquisition plus income accrued up to the balance sheet date.

<sup>(c)</sup> The market value is determined considering cash flow discounted to present value using interest rates or prices considered as representative of market conditions on the closing of the balance sheet, applicable for each type of security.

<sup>(d)</sup> Recognized directly in the statement of income.

<sup>(e)</sup> The unrealized gains/losses are recorded in a special stockholders' equity account net of taxes.

<sup>(f)</sup> Securities held to maturity are not stated at market values for accounting purposes and the amounts presented are therefore only informative.

## Comments:

- i - Securities given in guarantee amount to R\$3,134,701 (2008 - R\$4,325,901) and were given as guarantee of: (i) derivative financial instruments in the BM&F Bovespa R\$2,242,167 (2008 - R\$1,534,054); (ii) funding R\$790,302 (2008 - R\$2,690,264); and (iii) others R\$102,232 (2008 - R\$101,583).
- ii - No reclassification or changes to the current guidelines were carried out in the period.

## **NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

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### **7. DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

Most derivative contracts traded by the institution with clients in Brazil are swap, forward, option and futures contracts, which are registered at the BM&F Bovespa or at the CETIP S.A. - OTC Clearing House (CETIP). Overseas transactions are carried out with futures, forwards, options, swaps and credits 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 institution's total. Noteworthy is also the fact that there are no structured operations based on subprime assets and all instruments are based on risk factors traded at stock exchanges.

The main risk factors of the derivatives, assumed at June 30, 2009, were related to the foreign exchange rate, interest rate, commodities, U.S. dollar coupon, Reference Rate coupon, Libor and variable income. The management of these and other market risk factors is supported by the infrastructure of sophisticated statistical and deterministic models. Based on this management model, the institution, with the use of transactions involving derivatives, has been able to optimize the risk-return ratios, even under highly volatile situations.

Most derivatives included in the institution's portfolio are traded at stock exchanges. The prices disclosed by stock exchanges are used for these derivatives, except in cases in which the price is deemed unreliable due to illiquidity of a specific contract. Derivatives typically priced in this manner are future contracts. Likewise, there are other instruments whose quotations (fair prices) are directly disclosed by independent institutions and which are priced based on this direct information. A large 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, inferred based on prices disclosed for higher liquidity assets. Interest and market volatility curves which provide entry data for the models are extracted from those prices. Over-the-counter derivatives, forward contracts and securities without much liquidity are in this situation.

## NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008

All amounts in thousands of reais, unless otherwise indicated

(continued)

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

	Memorandum account/ notional amount		Balance sheet account receivable/(received) (payable)/paid	Adjustment to market value	Market value	
	2009	2008	2009	2009	2009	2008
<b>Swap contracts</b>						
<b>Asset position</b>						
Foreign currency .....	26,531,706	23,701,868	512,675	(75,767)	436,908	71,121
Floating rate .....	22,865,117	17,493,397	179	4,059	4,238	12,294
Fixed rate .....	33,230,980	26,105,513	787,029	(10,047)	776,982	777,897
Interbank market .....	23,545,566	26,771,632	1,288,435	(165,248)	1,123,187	1,328,860
Indices .....	3,302,912	4,650,290	193,053	60,015	253,068	496,995
Commodities .....	38,174	151,480	2	(2)	-	13,259
	109,514,455	98,874,180	2,781,373	(186,990)	2,594,383	2,700,426
<b>Liability position</b>						
Foreign currency .....	25,277,887	33,079,053	(744,390)	235,229	(509,161)	(101,438)
Floating rate .....	18,027,514	2,792,281	(77,824)	4,990	(72,834)	(92,733)
Fixed rate .....	32,543,220	20,662,792	(854,360)	(251,744)	(1,106,104)	(342,996)
Interbank market .....	27,798,430	36,400,756	(904,290)	162,001	(742,289)	(1,577,122)
Indices .....	5,750,295	5,604,809	(135,574)	(81,903)	(217,477)	(472,463)
Commodities .....	58,948	285,631	(6,774)	234	(6,540)	(15,499)
	109,456,294	98,825,322	(2,723,212)	68,807	(2,654,405)	(2,602,251)
			58,161	(118,183)	(60,022)	98,175
<b>Futures contracts</b>						
<b>Purchase commitments</b>						
Foreign currency .....	5,077,296	7,957,742	-	1,955	1,955	(2,772)
Interest rate .....	55,904,663	31,647,923	-	51	51	(1,871)
Indices .....	206,250	3	-	(48)	(48)	15
Securities .....	103,825	-	-	159	159	-
Commodities .....	539	7,257	-	(14,283)	(14,283)	15,843
	61,292,573	39,612,925	-	(12,166)	(12,166)	11,215
<b>Sale commitments</b>						
Foreign currency .....	7,804,304	6,918,138	-	(3,744)	(3,744)	2,632
Interest rate .....	2,804,786	4,144,392	-	(30)	(30)	(273)
Indices .....	68,474	1,984	-	(31)	(31)	(15)
Securities .....	536,690	23,878	-	604	604	(358)
Commodities .....	4,173	3,792	-	17,723	17,723	(1,506)
	11,218,427	11,092,184	-	14,522	14,522	480
	72,511,000	50,705,109	-	2,356	2,356	11,695
<b>Option contracts</b>						
<b>Purchase commitments – long position</b>						
Foreign currency .....	5,531,657	3,437,363	138,244	(76,581)	61,663	27,759
Floating rate .....	36,573	-	128	265	393	-
Indices .....	187,290,675	7,860,750	94,156	(33,079)	61,077	75,336
Reais .....	97,580	104,833	5,201	3,946	9,147	713
Shares .....	214,480	-	8,790	(1,521)	7,269	-
Commodities .....	29,897	41,400	4,908	(2,231)	2,677	5,202
Securities .....	92,115	-	2,010	320	2,330	-
	193,292,977	11,444,346	253,437	(108,881)	144,556	109,010
<b>Commitments to sell – long position</b>						
Foreign currency .....	6,507,305	915,000	282,112	19,588	301,700	19,549
Indices .....	79,470,303	2,846,432	114,090	39,120	153,210	1,709
Reais .....	136,612	517,368	10,967	(7,060)	3,907	5,798
Shares .....	896,627	809,703	353,431	(50)	353,381	276,730
Commodities .....	56,779	48,838	6,637	17,647	24,284	2,088
Others .....	39,032	87,554	527	(148)	379	1,552
	87,106,658	5,224,895	767,764	69,097	836,861	307,426
<b>Purchase commitments – short position</b>						
Foreign currency .....	7,121,192	17,141,776	(196,505)	107,207	(89,298)	(67,452)
Indices .....	118,666,211	8,700,350	(56,667)	17,884	(38,783)	(85,262)
Reais .....	772,834	249,974	(17,788)	(26,119)	(43,907)	(13,979)
Shares .....	170,205	-	(13,231)	2,278	(10,953)	-
Securities .....	96,019	-	(858)	77	(781)	-
Commodities .....	50,598	48,838	(6,290)	6,161	(129)	(3,844)
Others .....	-	39,797	-	-	-	(332)
	126,877,059	26,180,735	(291,339)	107,488	(183,851)	(170,869)
<b>Commitments to sell – short position</b>						
Foreign currency .....	4,784,348	890,170	(141,336)	(6,837)	(148,173)	(22,961)
Indices .....	132,145,955	253,795	(90,887)	(62,900)	(153,787)	(1,564)
Reais .....	560,109	4,066,436	(29,398)	11,149	(18,249)	(22,557)
Shares .....	34,400	-	(1,075)	248	(827)	-
Commodities .....	29,897	40,851	(4,908)	(4,079)	(8,987)	(2,920)
Others .....	-	23,878	-	-	-	(11)
	137,554,709	5,275,130	(267,604)	(62,419)	(330,023)	(50,013)
	544,831,403	48,125,106	462,258	5,285	467,543	195,554

## NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008

All amounts in thousands of reais, unless otherwise indicated

(continued)

	Memorandum account/ notional amount		Balance sheet account receivable/(received) (payable)/paid	Adjustment to market value	Market value	
	2009	2008	2009	2009	2009	2008
<b>Forward contracts</b>						
<b>Purchases receivable</b>						
Securities.....	91,629	-	91,576	53	91,629	-
<b>Purchases payable</b>						
Securities.....	-	-	(91,576)	(53)	(91,629)	-
<b>Sales receivable</b>						
Securities.....	109,954	-	109,950	5	109,955	-
<b>Sales deliverable</b>						
Securities.....	-	-	(109,950)	(5)	(109,955)	-
	201,583	-	-	-	-	-
<b>Credit derivatives</b>						
<b>Asset position</b>						
Fixed rate.....	661,189	1,512,162	2,310	3,758	6,068	39,240
<b>Liability position</b>						
Fixed rate.....	784,955	1,335,738	(405)	(12,512)	(12,917)	(14,574)
Others .....	-	74,000	-	-	-	(146)
	784,955	1,409,738	(405)	(12,512)	(12,917)	(14,720)
	1,446,144	2,921,900	1,905	(8,754)	(6,849)	24,520
<b>Forward operations</b>						
<b>Asset position</b>						
Foreign currency.....	5,794,507	2,407,341	508,088	(13,946)	494,142	183,750
Reais.....	1,852,064	1,257,148	37,760	-	37,760	108,045
Floating rate .....	-	159,190	-	-	-	229
Commodities .....	1,072	18,317	297	(3)	294	4,219
	7,647,643	3,841,996	546,145	(13,949)	532,196	296,243
<b>Liability position</b>						
Foreign currency.....	4,346,617	5,208,155	(380,755)	32,225	(348,530)	(561,399)
Reais.....	1,563,685	2,541,886	(10,942)	-	(10,942)	(379,216)
Commodities .....	-	145,356	-	-	-	(10,640)
	5,910,302	7,895,397	(391,697)	32,225	(359,472)	(951,255)
	13,557,945	11,737,393	154,448	18,276	172,724	(655,012)
<b>Swap with target flow</b>						
<b>Swap</b>						
<b>Asset position</b>						
Foreign currency.....	352,666	-	40,959	(37,450)	3,509	-
Floating rate.....	14,833	-	-	-	-	-
Fixed rate.....	150,345	-	-	-	-	-
Interbank market .....	419,845	-	59,647	(35,249)	24,398	-
Commodities .....	8,274	-	170	(110)	60	-
	945,963	-	100,776	(72,809)	27,967	-
<b>Liability position</b>						
Foreign currency.....	623,081	-	(90,541)	89,622	(919)	-
Floating rate.....	14,857	-	(24)	(21)	(45)	-
Fixed rate.....	20,164	-	-	-	-	-
Interbank market .....	286,522	-	(10,604)	(6,854)	(17,458)	-
Commodities .....	1,733	-	-	-	-	-
	946,357	-	(101,169)	82,747	(18,422)	-
<b>Target flow swap (*)</b>						
<b>Asset position</b>						
Foreign currency.....	3,657,890	-	121,087	92,013	213,100	-
Indices.....	7,059	-	-	-	-	-
Commodities .....	88,815	-	2,227	7,750	9,977	-
	3,753,764	-	123,314	99,763	223,077	-
<b>Liability position</b>						
Foreign currency.....	1,235,134	-	(177,418)	38,542	(138,876)	-
Reais.....	39,032	-	(6,538)	(545)	(7,083)	-
Commodities .....	22,512	-	(2,654)	(6,560)	(9,214)	-
	1,296,678	-	(186,610)	31,437	(155,173)	-
			(63,689)	141,138	77,449	-



**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

(continued)

	Memorandum account/ notional amount		Balance sheet account receivable/(received) (payable)/paid	Adjustment to market value	Market value		
	2009	2008	2009	2009	2009	2008	
<b>Others</b>							
<b>Asset position</b>							
Foreign currency.....	6,821	5,290,137	-	5	5	2,092	
Reais.....	-	-	-	-	-	1,091	
Fixed rate .....	-	71,635	-	-	-	4,465	
	6,821	5,361,772	-	5	5	7,648	
<b>Liability position</b>							
Foreign currency.....	2,104,596	241,155	-	(728)	(728)	-	
Reais.....	-	12,735	-	-	-	-	
Fixed rate .....	-	135,312	-	-	-	(4,465)	
	2,104,596	389,202	-	(728)	(728)	(4,465)	
<b>Arbitrage <sup>(**)</sup></b>							
<b>Asset position</b>							
Foreign currency.....	412,065	94,918	3,748,865	(12,392)	3,736,473	3,560,076	
<b>Liability position</b>							
Foreign currency.....	440,658	83,624	(3,679,413)	48,951	(3,630,462)	(3,509,832)	
	2,964,140	5,929,516	69,452	35,836	105,288	53,427	
			<b>ASSETS</b>	<b>8,525,510</b>	<b>(219,984)</b>	<b>8,305,526</b>	<b>7,031,764</b>
			<b>LIABILITIES</b>	<b>(7,842,975)</b>	<b>295,938</b>	<b>(7,547,037)</b>	<b>(7,303,405)</b>
			<b>TOTAL</b>	<b>682,535</b>	<b>75,954</b>	<b>758,489</b>	<b>(271,641)</b>

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

Derivative contracts mature as follows:

Memorandum / notional amount	Due up to three months	Due from three to six months	Due from six to 12 months	Due after 12 months	Total 2009	Total 2008
Swap contracts.....	50,348,184	16,068,790	12,666,964	27,649,145	106,733,083	96,404,842
Futures contracts.....	10,651,433	18,998,051	29,535,884	13,325,632	72,511,000	50,705,109
Option contracts.....	72,323,676	262,977,701	160,865,487	48,664,539	544,831,403	48,125,106
Forward contracts .....	201,583	-	-	-	201,583	-
Credit derivatives .....	133,548	253,105	487,867	571,624	1,446,144	2,921,900
Forward operations.....	9,101,668	2,486,373	1,234,155	735,749	13,557,945	11,737,393
Swap with target flow.....	530,379	33,176	154,268	127,364	845,187	-
Target flow swap.....	971,113	625,038	476,250	2,978,041	5,050,442	-
Others .....	1,566,343	265,883	258,692	873,222	2,964,140	5,929,516

## NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008

All amounts in thousands of reais, unless otherwise indicated

(continued)

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

	2009							2008
	Cost	Adjustment to market value (in results)	Market value	Due up to three months	Due from three to six months	Due from six to 12 months	Due after 12 months	Market value
<b>ASSETS</b>								
<b>Swap contracts</b>								
Companies .....	1,030,849	(5,072)	1,025,777	439,386	321,934	81,608	182,849	821,557
Stock Exchanges .....	122,168	52,130	174,298	14,054	10,840	37,152	112,252	363,748
Financial institutions .....	21,043	41,092	62,135	38,238	4,191	896	18,810	108,245
Related parties .....	1,606,795	(275,153)	1,331,642	550,226	197,642	206,517	377,257	1,405,040
Individuals .....	518	13	531	531	-	-	-	1,836
	<u>2,781,373</u>	<u>(186,990)</u>	<u>2,594,383</u>	<u>1,042,435</u>	<u>534,607</u>	<u>326,173</u>	<u>691,168</u>	<u>2,700,426</u>
<b>Futures contracts</b>								
Companies .....	-	17,629	17,629	5,938	5,676	6,015	-	(526)
Stock Exchanges .....	-	(15,273)	(15,273)	(5,876)	(3,360)	(5,624)	(413)	12,221
	-	2,356	2,356	62	2,316	391	(413)	11,695
<b>Option contracts</b>								
Companies .....	439,684	(55,347)	384,337	7,973	7,257	355,667	13,440	291,823
Stock Exchanges .....	569,201	14,804	584,005	206,991	72,185	266,706	38,123	111,772
Financial institutions .....	12,316	759	13,075	396	11,970	-	709	12,841
	<u>1,021,201</u>	<u>(39,784)</u>	<u>981,417</u>	<u>215,360</u>	<u>91,412</u>	<u>622,373</u>	<u>52,272</u>	<u>416,436</u>
<b>Forward contracts</b>								
Financial institutions .....	201,526	58	201,584	201,584	-	-	-	-
<b>Credit derivatives</b>								
Companies .....	23	29	52	52	-	-	-	-
Financial institutions .....	2,287	3,729	6,016	3,791	2,225	-	-	38,687
Related parties .....	-	-	-	-	-	-	-	553
	<u>2,310</u>	<u>3,758</u>	<u>6,068</u>	<u>3,843</u>	<u>2,225</u>	-	-	<u>39,240</u>
<b>Forward operations</b>								
Companies .....	512,929	(13,423)	499,506	305,414	120,654	65,761	7,677	173,257
Financial institutions .....	8,776	(442)	8,334	3,274	5,042	18	-	65,455
Related parties .....	24,440	(84)	24,356	11,207	7,884	3,597	1,668	57,531
	<u>546,145</u>	<u>(13,949)</u>	<u>532,196</u>	<u>319,895</u>	<u>133,580</u>	<u>69,376</u>	<u>9,345</u>	<u>296,243</u>
<b>Swap with target flow</b>								
<b>Swap</b>								
Companies .....	100,776	(72,809)	27,967	27,623	-	-	344	-
<b>Target flow swap</b>								
Companies .....	123,314	99,763	223,077	19,325	14,047	7,816	181,889	-
<b>Others</b>								
Stock Exchanges .....	-	5	5	-	-	5	-	2,092
Financial institutions .....	-	-	-	-	-	-	-	5,556
	-	5	5	-	-	5	-	7,648
<b>Arbitrage</b>								
Companies .....	36,983	-	36,983	35,940	1,043	-	-	5,541
Financial institutions .....	2,383,466	(10,730)	2,372,736	1,348,497	350,008	673,648	583	2,154,161
Related parties .....	1,328,416	(1,662)	1,326,754	1,265,826	45,566	15,362	-	1,400,374
	<u>3,748,865</u>	<u>(12,392)</u>	<u>3,736,473</u>	<u>2,650,263</u>	<u>396,617</u>	<u>689,010</u>	<u>583</u>	<u>3,560,076</u>
<b>TOTAL ASSETS</b> .....	<b><u>8,525,510</u></b>	<b><u>(219,984)</u></b>	<b><u>8,305,526</u></b>	<b><u>4,480,390</u></b>	<b><u>1,174,804</u></b>	<b><u>1,715,144</u></b>	<b><u>935,188</u></b>	<b><u>7,031,764</u></b>
<b>TOTAL - June 30, 2008</b> .....	6,888,881	142,883	7,031,764	2,091,549	1,896,452	1,154,233	1,889,530	

## NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008

All amounts in thousands of reais, unless otherwise indicated

(continued)

								2009	2008
	Cost	Adjustment to market value (in results)	Market value	Due up to three months	Due from three to six months	Due from six to 12 months	Due after 12 months	Market value	
<b>LIABILITIES</b>									
<b>Swap contracts</b>									
Companies .....	(452,000)	128,494	(323,506)	(110,884)	(161,729)	(19,847)	(31,046)	(1,049,969)	
Stock Exchanges .....	(138,287)	(90,613)	(228,900)	(15,834)	(1,953)	(16,754)	(194,359)	(432,968)	
Financial institutions .....	(78,881)	(31,850)	(110,731)	(47,410)	(21,580)	(40,973)	(768)	(105,870)	
Related parties .....	(2,054,044)	62,776	(1,991,268)	(719,113)	(335,685)	(190,873)	(745,597)	(1,013,444)	
	(2,723,212)	68,807	(2,654,405)	(893,241)	(520,947)	(268,447)	(971,770)	(2,602,251)	
<b>Option contracts</b>									
Companies .....	(49,656)	11,347	(38,309)	(23,994)	(13,137)	(1,178)	-	(14,232)	
Stock Exchanges .....	(454,375)	41,469	(412,906)	(120,769)	(75,618)	(185,110)	(31,409)	(158,032)	
Financial institutions .....	(53,034)	(2,415)	(55,449)	(7,528)	(27,664)	(20,257)	-	(48,618)	
Related parties .....	(1,878)	(5,332)	(7,210)	(7,210)	-	-	-	-	
	(558,943)	45,069	(513,874)	(159,501)	(116,419)	(206,545)	(31,409)	(220,882)	
<b>Forward contracts</b>									
Financial institutions .....	(201,526)	(58)	(201,584)	(201,584)	-	-	-	-	
Credit derivatives									
Financial institutions .....	(405)	(12,512)	(12,917)	(7,865)	(4,953)	(99)	-	(14,619)	
Related parties .....	-	-	-	-	-	-	-	(101)	
	(405)	(12,512)	(12,917)	(7,865)	(4,953)	(99)	-	(14,720)	
<b>Forward operations</b>									
Companies .....	(375,362)	32,122	(343,240)	(192,271)	(85,516)	(34,322)	(31,131)	(564,314)	
Financial institutions .....	(9,133)	33	(9,100)	(9,058)	-	(42)	-	(384,720)	
Related parties .....	(7,202)	70	(7,132)	(2,995)	(4,037)	(56)	(44)	(2,221)	
	(391,697)	32,225	(359,472)	(204,324)	(89,553)	(34,420)	(31,175)	(951,255)	
<b>Swap with target flow</b>									
<b>Swap</b>									
Companies .....	(10,741)	(7,681)	(18,422)	(3,181)	(2,427)	-	(12,814)	-	
Financial institutions .....	(90,428)	90,428	-	-	-	-	-	-	
	(101,169)	82,747	(18,422)	(3,181)	(2,427)	-	(12,814)	-	
<b>Target flow swap</b>									
Companies .....	(144,406)	91,729	(52,677)	(2,295)	-	-	(50,382)	-	
Financial institutions .....	(42,204)	(60,292)	(102,496)	(35,351)	(24,472)	(39,358)	(3,315)	-	
	(186,610)	31,437	(155,173)	(37,646)	(24,472)	(39,358)	(53,697)	-	
<b>Others</b>									
Stock Exchanges .....	-	(728)	(728)	(6)	(102)	(73)	(547)	(4,465)	
<b>Arbitrage</b>									
Companies .....	(37,104)	-	(37,104)	(36,059)	(1,045)	-	-	(4,815)	
Financial institutions .....	(2,384,795)	47,295	(2,337,500)	(1,335,349)	(333,767)	(667,765)	(619)	(2,144,778)	
Related parties .....	(1,257,514)	1,656	(1,255,858)	(1,194,804)	(45,484)	(15,570)	-	(1,360,239)	
	(3,679,413)	48,951	(3,630,462)	(2,566,212)	(380,296)	(683,335)	(619)	(3,509,832)	
<b>TOTAL LIABILITIES .....</b>	<b>(7,842,975)</b>	<b>295,938</b>	<b>(7,547,037)</b>	<b>(4,073,560)</b>	<b>(1,139,169)</b>	<b>(1,232,277)</b>	<b>(1,102,031)</b>	<b>(7,303,405)</b>	
TOTAL - June 30, 2008 .....	(7.680.218)	376.813	(7.303.405)	(1.733.188)	(2.832.557)	(946.071)	(1.791.589)		

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

(continued)

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

	Swap contracts	Futures contracts	Option contracts	Forwards contracts	Credit derivatives	Forward operations	Swap with target flow	Target flow swap	Others
<b>Stock Exchanges</b>									
BM&F Bovespa.....	8,357,693	70,854,383	539,740,679	-	-	-	-	-	2,111,417
Stock Exchanges .....	-	1,656,178	352,665	-	-	-	-	-	-
	<u>8,357,693</u>	<u>72,510,561</u>	<u>540,093,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,111,417</u>
<b>Over-the-counter market</b>									
Companies .....	15,424,566	439	2,857,249	-	3,903	11,193,136	535,223	4,468,449	37,124
Financial institutions .....	24,324,859	-	1,826,165	201,583	1,442,241	461,991	309,964	581,993	641,611
Related parties.....	58,623,437	-	54,645	-	-	1,902,818	-	-	173,988
Individuals .....	2,528	-	-	-	-	-	-	-	-
	<u>98,375,390</u>	<u>439</u>	<u>4,738,059</u>	<u>201,583</u>	<u>1,446,144</u>	<u>13,557,945</u>	<u>845,187</u>	<u>5,050,442</u>	<u>852,723</u>
	<u><b>106,733,083</b></u>	<u><b>72,511,000</b></u>	<u><b>544,831,403</b></u>	<u><b>201,583</b></u>	<u><b>1,446,144</b></u>	<u><b>13,557,945</b></u>	<u><b>845,187</b></u>	<u><b>5,050,442</b></u>	<u><b>2,964,140</b></u>
<b>TOTAL - June 30, 2008 .....</b>	<b>96,404,842</b>	<b>50,705,109</b>	<b>48,125,106</b>	<b>-</b>	<b>2,921,900</b>	<b>11,737,393</b>	<b>-</b>	<b>-</b>	<b>5,929,516</b>

**d) Credit derivatives**

See below the composition of the credit derivatives (assets and liabilities) portfolio stated at their notional amount, and the effect on the calculation of required referential equity.

	<b>Credit risk amount</b>	
	<b>2009</b>	<b>2008</b>
Transferred:		
Credit swaps whose underlying assets are:		
Securities.....	(636,189)	(1,487,407)
Derivatives .....	(25,000)	(24,754)
Received:		
Credit swaps whose underlying assets are:		
Securities.....	734,955	1,031,598
Derivatives .....	50,000	50,000
Others .....	-	24,000
Total return rate swap whose underlying assets are securities .....	-	304,140
	<u>123,766</u>	<u>(102,423)</u>

During the six-month period, there was no occurrence of a credit event as provided for in the agreements.

According to CMN Resolution 3490/07, which became effective on July 1, 2008, the effect of the calculation of required referential equity amounts to R\$1,660.

At June 30, 2008, the effect on the calculation of the required net equity was R\$(136,309).

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

	<b>2009</b>	<b>2008</b>
Swap .....	903,371	466,619
Futures .....	924,333	(238,973)
Options.....	39,717	295,937
Credit derivatives.....	39,765	9,321
Others .....	63,119	247,317
<b>Total.....</b>	<u><b>1,970,305</b></u>	<u><b>780,221</b></u>

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

(continued)

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

	<b>2009</b>	<b>2008</b>
Opening balance .....	(221,257)	271,241
Adjustments with impact on:		
Result		
Trading securities .....	23,367	(29,250)
Derivative financial instruments (Assets and Liabilities) .....	346,282	116,272
Arbitrage (Assets and Liabilities) .....	(82,650)	125,755
	286,999	212,777
Stockholders' equity .....	110,016	(64,357)
Exchange variation - foreign branches .....	45,815	(1,926)
Closing balance .....	<u>221,573</u>	<u>417,735</u>
Adjustment to market value		
Trading securities .....	65,226	(38,181)
Available for sale .....	80,393	(63,780)
Derivative financial instruments (Assets and Liabilities) .....	39,395	270,774
Arbitrage (Assets and Liabilities) .....	36,559	248,922
	<u>221,573</u>	<u>417,735</u>

**g) The guarantees**

The guarantees given for derivative financial instrument transactions amounted to R\$2,595,849 (2008 - R\$1,534,054), composed of government securities.

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

Itaú BBA is a wholesale bank and, therefore, concentrates its business mainly on large Brazilian and multinational corporations; consequently, individual loans involve high amounts (an average of approximately R\$21 million (2008 - R\$16 million) per customer).

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

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

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

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

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

	<b>2009</b>	<b>2008</b>
Credit operations:		
Loans and bills discounted .....	18,343,301	10,140,481
Financing .....	11,806,513	9,454,811
Foreign currency financing .....	1,589,978	1,072,218
Farming and agribusiness financing .....	2,561,941	2,609,245
Lease operations .....	2,374,390	511,719
Advances on exchange contracts <sup>(1)</sup> .....	4,919,080	1,906,886
Other operations <sup>(2)</sup> .....	173,748	52,228
	<u>41,768,951</u>	<u>25,747,588</u>

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

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

## NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008

All amounts in thousands of reais, unless otherwise indicated

(continued)

## b) Analysis of the loan portfolio by sector

	2009	2008
<b>Public sector</b>		
Electrical energy generation and distribution.....	325,033	328,587
Chemical and petrochemical .....	79,217	86,958
Others .....	204,823	151,995
	<b>609,073</b>	<b>567,540</b>
<b>Private sector</b>		
<b>Company</b>		
<b>Industry and Commerce</b>		
Food and beverages .....	3,623,424	1,908,263
Autoparts and accessories .....	636,143	345,710
Agribusiness capital assets .....	311,411	124,402
Industrial capital assets .....	1,251,130	480,961
Pulp and paper .....	457,450	210,169
Distribution of fuels.....	423,760	186,526
Electrical and electronic .....	1,895,697	1,252,640
Pharmaceuticals.....	226,792	273,251
Fertilizers, insecticides and crop protection.....	1,001,045	1,176,063
Tobacco .....	541,945	241,702
Import and export.....	426,040	434,682
Hospital materials and equipment .....	58,285	43,854
Construction material.....	1,368,804	214,737
Steel and metallurgy.....	2,725,473	1,435,411
Wood and furniture.....	632,552	411,063
Chemical and petrochemical .....	2,130,848	1,477,942
Supermarkets.....	67,338	36,093
Light and heavy vehicles .....	1,595,326	574,554
Clothing.....	706,727	241,039
Other - commerce .....	225,471	63,663
Other - industry.....	378,323	193,692
	<b>20,683,984</b>	<b>11,326,417</b>
<b>Services</b>		
Heavy construction (contractors).....	731,858	490,634
Financial.....	579,464	604,707
Electrical energy generation and distribution.....	2,659,772	1,617,223
Holding company .....	2,116,315	1,571,458
Real estate .....	1,514,949	1,210,557
Media .....	606,384	544,613
Service companies.....	144,895	134,472
Health care .....	140,157	83,177
Telecommunications .....	403,482	771,411
Transportation.....	1,450,274	779,955
Other services.....	1,112,927	710,494
	<b>11,460,477</b>	<b>8,518,701</b>
<b>Primary sector</b>		
Agribusiness.....	5,496,432	3,637,448
Mining .....	1,124,811	1,074,713
	<b>6,621,243</b>	<b>4,712,161</b>
<b>Others</b> .....	<b>32,729</b>	<b>147,474</b>
	<b>38,798,433</b>	<b>24,704,753</b>
<b>Individual</b>		
Vehicles.....	2,263,323	475,295
Others .....	98,122	-
	<b>2,361,445</b>	<b>475,295</b>
	<b>41,159,878</b>	<b>25,180,048</b>
	<b>41,768,951</b>	<b>25,747,588</b>

## c) Credit risk concentration

	2009	2008
Largest debtor.....	1,871,120	1,521,644
Percentage of the total loan portfolio .....	4.48%	5.91%
20 largest debtors .....	10,610,519	7,016,214
Percentage of the total loan portfolio .....	25.40%	27.25%

## NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008

All amounts in thousands of reais, unless otherwise indicated

(continued)

## d) Analysis of the loan portfolio by maturity

	2009			2008		
	Abnormal <sup>(1)</sup>	Normal	Outstanding Total	Abnormal <sup>(1)</sup>	Normal	Outstanding Total
Falling due installments:						
1 to 30 days.....	187,214	6,114,756	6,301,970	144	4,189,813	4,189,957
31 to 60.....	19,047	4,353,487	4,372,534	1,190	1,792,934	1,794,124
61 to 90.....	12,888	2,494,952	2,507,840	1,229	1,655,913	1,657,142
91 to 180.....	50,780	6,428,863	6,479,643	2,469	4,618,541	4,621,010
181 to 365.....	98,667	5,555,445	5,654,112	13,506	3,874,161	3,887,667
Over 365.....	252,334	15,558,126	15,810,460	44,635	9,447,749	9,492,384
	620,930	40,505,629	41,126,559	63,173	25,579,111	25,642,284
Overdue installments:						
1 to 14 days.....	5,805	135,715	141,520	3	44,264	44,267
15 to 30.....	29,935	-	29,935	8,843	-	8,843
31 to 60.....	209,086	-	209,086	8,223	-	8,223
61 to 90.....	54,852	-	54,852	7,775	-	7,775
91 to 180.....	140,016	-	140,016	11,109	-	11,109
181 to 365.....	66,926	-	66,926	25,087	-	25,087
Over 365.....	57	-	57	-	-	-
	506,677	135,715	642,392	61,040	44,264	105,304
	1,127,607	40,641,344	41,768,951	124,213	25,623,375	25,747,588

<sup>(1)</sup> Outstanding abnormal credits with installments overdue for more than 14 days.

## e) Allowance for loan losses

Credit portfolio	Balance		Percentage of provision <sup>(*)</sup>	Allowance for loan losses based on the minimum required percentage		Allowance for loan losses recorded	
	2009	2008		2009	2008	2009	2008
AA	16,327,349	11,464,117	-	-	-	(561,307)	(56,156)
A	15,459,502	11,554,303	0.5%	(77,298)	(57,772)	(153,049)	(114,388)
B	5,684,103	2,486,887	1.0%	(56,841)	(24,869)	(169,955)	(74,358)
C	2,553,965	140,015	3.0%	(76,619)	(4,200)	(255,141)	(13,987)
D	1,277,642	32,430	10.0%	(127,764)	(3,243)	(383,164)	(9,726)
E	37,709	12,967	30.0%	(11,313)	(3,890)	(18,851)	(6,482)
F	129,604	24,670	50.0%	(64,802)	(12,335)	(90,710)	(17,267)
G	34,453	-	70.0%	(24,117)	-	(34,450)	-
H	264,624	32,199	100.0%	(264,624)	(32,199)	(264,624)	(32,199)
	41,768,951	25,747,588		(703,378)	(138,508)	(1,931,251)	(324,563)

<sup>(\*)</sup> Minimum percentage provision required by CMN Resolution 2682/99 per risk level.

## f) Analysis of present value of the Leased operations

	2009	2008
Lease receivables and guaranteed residual value.....	4,594,550	930,643
Unearned income from leases and residual value to be compensated.....	(4,459,760)	(921,033)
Other assets - repossessed goods.....	3,924	-
Leased assets		
Leased assets - Vehicles and similar.....	3,316,215	660,160
Accumulated depreciation		
(-) Accumulated depreciation.....	(670,923)	(21,045)
Excess of depreciation.....	790,172	25,393
	119,249	4,348
	3,435,464	664,508
Creditors for advance of residual value.....	(1,199,788)	(162,399)
Total.....	2,374,390	511,719

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

(continued)

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

	<b>2009</b>	<b>2008</b>
Balance at the beginning of the six-month period .....	(1,913,438)	(272,103)
Merger Banco Único S.A. (Note 1b).....	(165,131)	-
Reversal/(Provision) recorded .....	108,386	(60,974)
Exchange variation on the allowances of the foreign branches .....	17,323	2,743
Loans written off.....	21,609	5,771
Balance at the end of the six-month period .....	<u>(1,931,251)</u>	<u>(324,563)</u>

Starting December 31, 2008, considering the current economic scenario and the uncertainties related thereto, the criteria for recognition of an additional allowance for credit risks have been revised so as to include the portion related to risks associated with a more pessimistic scenario for 2009/2010, not yet fully covered by the historic scenarios noted in the recent past.

	<b>2009</b>	<b>2008</b>
<b>h) Recoveries of loans previously written off .....</b>	44	11,289

	<b>2009</b>	<b>2008</b>
<b>i) Renegotiated loans.....</b>	1,490	-

**j) Restricted credit operations**

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

	<b>Assets</b>		<b>Liabilities</b>		<b>Income/(expenses)</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Loans.....	4,341	-	-	-	261	-
Financing .....	283,511	257,684	-	-	(48,322)	(17,443)
Time deposits .....	-	-	4,440	-	(234)	-
Issue of securities abroad .....	-	-	283,485	170,511	48,803	11,990
Foreign borrowings .....	-	-	-	86,274	-	7,328
Total .....	<u>287,852</u>	<u>257,684</u>	<u>287,925</u>	<u>256,785</u>	<u>508</u>	<u>1,875</u>

At June 30, 2009, there were no operations in default.

**k) Assignment of credit without recourse**

In 2009, in accordance with CMN Resolution 2836/01, credit assignments without recourse were carried out in the amount of R\$4,537 (2008 - R\$177,190), for which the book value of the credits amounted to R\$4,537 (2008 - R\$177,670). In 2009 there was no effect resulting from these transactions on stockholders' equity and on results and in 2008, net of income tax the effect was R\$(298).

**9. FOREIGN EXCHANGE PORTFOLIO**

The foreign exchange portfolio is represented by:

	<b>2009</b>	<b>2008</b>
<b>Assets - Other receivables</b>		
Foreign exchange purchases pending settlement .....	5,913,573	2,462,869
Foreign exchange purchases pending settlement - Arbitrage .....	3,736,473	3,560,076
Foreign currency bills of exchange and term documents.....	-	23,486
Rights on foreign exchange sales .....	4,295,123	4,648,640
(-) Advances received .....	(129,861)	(113,364)
	<u>13,815,308</u>	<u>10,581,707</u>
<b>Liabilities - Other liabilities</b>		
Foreign exchange sales pending settlement .....	1,589,204	824,419
Foreign exchange sales pending settlement - Arbitrage .....	3,630,462	3,509,832
Liabilities for purchases of foreign exchange.....	9,024,630	6,439,321
Other.....	322	589
	<u>14,244,618</u>	<u>10,774,161</u>
<b>Memorandum accounts</b>		
Outstanding import credits .....	155,694	152,328
Confirmed export credits.....	2,772	33,842
	<u>158,466</u>	<u>186,170</u>



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**10. NEGOTIATION AND INTERMEDIATION OF SECURITIES**

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Accounts receivable and payable on sale and purchase of assets.....	122,542	90,625	352,978	97,487
Contracts for loan of securities .....	-	89,470	-	285,700
Margin deposits .....	105,294	-	353,254	-
Other.....	371	371	5,424	5,402
	<u>228,207</u>	<u>180,466</u>	<u>711,656</u>	<u>388,589</u>

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

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

	Capital - number of shares held		Percentage ownership %		Net income/(loss) for the period		Stockholders' Book value of the equity		Book value of the investments		Equity in earnings (loss)	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Itaú BBA Trading S.A. <sup>(i)</sup> .....	3,078,040,844	3,078,040,844	100.00	100.00	(6,195)	(789)	39,429	33,999	39,429	33,999 <sup>(ii)</sup>	(6,195)	(789)
Puerto Cia Securitizadora de												
Créditos Financeiros .....	178,687,269	178,687,269	99.99	99.99	275	228	15,648	15,068	15,648	15,068	275	228
Delle Holdings S.A. <sup>(ii)</sup> .....	6,454,953	6,454,953	42.14	42.14	2,847	9,517	85,695	69,553	66,109	63,030 <sup>(ii)</sup>	1,200	7,079
Banco Itaú Argentina S.A. ....	1,482,244	1,482,244	1.00	1.00	11,166	3,257	198,545	173,402	1,985	1,734	(480)	(85)
Estruturadora Brasileira de												
Projetos S.A. EBP .....	1,598,591	583,334	11.11	16.67	(2,381)	(234)	11,161	3,267	1,240	545	(275)	(39)
									<u>124,411</u>	<u>114,376</u>	<u>(5,475)</u>	<u>6,394</u>

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

<sup>(i)</sup> Note 18I.<sup>(ii)</sup> Includes goodwill on the purchase of investments of R\$29,995 (2008 - R\$33,719).

## NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008

All amounts in thousands of reais, unless otherwise indicated

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	Balance at 12/31/2008		Changes				Balance at 06/30/2009		
	Accumulated Cost depreciation	Net	Purchases	Disposals	Depreciation and amortization expense (Note 18f)	Cost	Accumulated depreciation	Net	
<b>b) Fixed assets</b>									
Properties for own use <sup>(i)</sup>									
Land .....	1,268	-	1,268	-	-	1,268	-	1,268	
Buildings .....	3,690	(2,056)	1,634	-	-	3,690	(2,148)	1,542	
Improvements .....	8,106	(4,010)	4,096	6,021	-	14,123	(4,855)	9,268	
	13,064	(6,066)	6,998	6,021	-	19,081	(7,003)	12,078	
Other fixed assets for own use									
Installations .....	11,586	(5,130)	6,456	4,043	(2)	15,627	(5,797)	9,830	
Furniture and equipment .....	13,048	(5,974)	7,074	5,294	(48)	18,181	(6,561)	11,620	
Communication system .....	12,555	(5,244)	7,311	12,424	-	24,979	(6,085)	18,894	
Data processing system .....	34,714	(23,224)	11,490	15,030	(6)	49,647	(26,401)	23,246	
Security system .....	929	(470)	459	155	-	1,084	(523)	561	
Transport system .....	395	(272)	123	-	-	394	(286)	108	
	73,227	(40,314)	32,913	36,946	(56)	109,912	(45,653)	64,259	
	86,291	(46,380)	39,911	42,967	(56)	128,993	(52,656)	76,337	
<b>c) Intangible assets</b>									
Rights to credit of payrolls .....	-	-	-	270	-	270	(6)	264	
Goodwill on the purchase of investments .....	760,905	(307,632)	453,273	1,414,026	-	2,179,213	(474,173)	1,705,040	
	760,905	(307,632)	453,273	1,414,296	-	2,179,483	(474,179)	1,705,304	
Total - (b + c) .....	847,196	(354,012)	493,184	1,457,263	(56)	2,308,476	(526,835)	1,781,641	

	Balance at 12/31/2007		Changes				Balance at 06/30/2008		
	Accumulated Cost depreciation	Net	Purchases	Disposals	Depreciation and amortization expense (Note 18f)	Cost	Accumulated depreciation	Net	
<b>b) Fixed assets</b>									
Properties for own use <sup>(i)</sup>									
Land .....	1,268	-	1,268	-	-	1,268	-	1,268	
Buildings .....	3,690	(1,872)	1,818	-	-	3,690	(1,964)	1,726	
Improvements .....	7,354	(3,168)	4,186	293	-	7,647	(3,652)	3,995	
	12,312	(5,040)	7,272	293	-	12,605	(5,616)	6,989	
Other fixed assets for own use									
Installations .....	11,129	(4,033)	7,096	156	-	11,285	(4,589)	6,696	
Furniture and equipment .....	7,200	(5,145)	2,055	815	-	8,374	(5,689)	2,685	
Communication system .....	9,222	(4,412)	4,810	1,315	(7)	10,628	(4,896)	5,732	
Data processing system .....	26,486	(20,343)	6,143	3,285	(10)	30,701	(22,446)	8,255	
Security system .....	752	(386)	366	34	-	801	(433)	368	
Transport system .....	245	(245)	-	150	-	394	(256)	138	
	55,034	(34,564)	20,470	5,755	(17)	62,183	(38,309)	23,874	
	67,346	(39,604)	27,742	6,048	(17)	74,788	(43,925)	30,863	
<b>c) Intangible assets</b>									
Goodwill on the purchase of investments .....	760,905	(171,650)	589,255	-	-	760,905	(239,641)	521,264	
Total - (b + c) .....	828,251	(211,254)	616,997	6,048	(17)	835,693	(283,566)	552,127	

<sup>(i)</sup> Includes assets given in guarantee of lawsuits (Note 18I).

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All amounts in thousands of reais, unless otherwise indicated

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

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

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

	2009			2008		
	Civil	Labor	Total	Civil	Labor	Total
Opening balance .....	58,019	7,925	65,944	49,836	7,716	57,552
Changes in the period reflected in results:						
Restatements/charges.....	3,340	864	4,204	3,690	549	4,239
Increase .....	1,309	567	1,876	1,755	-	1,755
Reversals .....	(2,531)	(155)	(2,686)	(1,167)	(2,610)	(3,777)
	2,118	1,276	3,394	4,278	(2,061)	2,217
Payments .....	(105)	(4)	(109)	(320)	(1,860)	(2,180)
Closing balance (Note 18b).....	60,032	9,197	69,229	53,794	3,795	57,589

**ii - Possible loss** - represented by civil lawsuits amounting to R\$8,822 (2008 - R\$512), labor lawsuits amounting to R\$26,476 (2008 - R\$20,535) and tax and social security amounting to R\$127,404 (2008 - nil).**c) Legal Obligations - Tax and Social Security** - represented by amounts payable relating to tax liabilities, the legality or constitutionality of which is subject to administrative or judicial challenge. They are recognized at the full amount under discussion. The changes can be summarized as follows:

	2009	2008
Opening balance .....	773,962	638,624
Changes in the period reflected in results:		
Restatements/charges.....	26,592	19,600
Increase .....	143,604	70,596
	170,196	90,196
Closing balance (Note 18c) .....	944,158	728,820

The escrow deposits for litigation (Note 18a) amount to R\$607,461 (2008 - R\$545,366).

The main processes are described as follows:

- Profit earned abroad - IRPJ and CSLL - R\$415,654 - Aimed at rejecting the requirements set forth in article 25 of Law 9249/95 and paragraph 9, of article 2 of Regulatory Instruction 38/96, that deal with the taxation of profit earned abroad, as being unconstitutional. The corresponding escrow deposit totals R\$172,413.
- PIS and COFINS - Law 9718/98 - R\$451,704 - Assert the right of paying contributions to PIS and COFINS based on revenue, without adopting the provisions of Article 3, paragraph 1, of Law 9718/98, which established the extension of the calculation bases of these contributions.
- IRPJ - Article 8 of Law 8541/92 - R\$40,490 - Illegality of articles 7 and 8 of Law 8541/92, which had conditioned the deduction of the tributes and contributions on their effective payment (cash basis), considering improper the deduction of tributes, including monetary correction, for which payment has been suspended by a judicial measure. The corresponding escrow deposit totals R\$38,913.
- PIS - Constitutional Amendment 17/97 - R\$17,427 - Aimed at rejecting the levy of PIS over the period, from the end of the term enforced by Constitutional Amendment 10/96 and the restart of its enforcement, with the enactment of Constitutional Amendment 17/97, based on principles of minimum advance not of 90 days without retroactivity with respect to tax laws and inexistence of legislation for this interim period. Also, aimed at paying PIS during the mentioned period based on Supplementary Law 7/70.

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

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

	<b>2009</b>	<b>2008</b>
Profit before taxation and profit sharing .....	2,255,481	1,124,213
Income tax and social contribution calculated at 25% and 15% in 2009; 25% and 9% in 2008, respectively (Note 3n) .....	902,192	382,232
Effects of permanent and temporary additions or (exclusions) in the tax calculation:		
(i) Exchange variation on foreign investments .....	332,667	123,832
(ii) Equity in the earnings of subsidiaries .....	2,190	(2,174)
(iii) Interest on own capital .....	(67,348)	(61,710)
(iv) Dividends, interest and tax incentive .....	(111,756)	(86,420)
(v) Other exclusions net of other additions .....	(84,533)	(22,246)
(vi) Effect of the increase in the social contribution rate (Note 3n) .....	-	4,501
Income tax and social contribution on net income .....	<u>973,412</u>	<u>338,015</u>

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

	<b>December 2008</b>	<b>Realization / Reversal</b>	<b>Increase</b>	<b>June 2009</b>	<b>June 2008</b>
Allowance for loan losses .....	753,734	(711,974)	714,122	755,882	125,130
Other temporarily non-deductible provisions .....	221,684	(17,793)	177,137	381,028	259,725
Social contribution to be offset (Provisional Measure 2158-35) .....	5,076	-	-	5,076	5,076
Adjustments to market value - securities and derivative financial instruments .....	12,763	(12,763)	12	12	24,569
Tax losses and social contribution losses carryforwards .....	478,899	(269,950)	-	208,949	-
Total tax credits (Note 18a) .....	1,472,156	(1,012,480)	891,271	1,350,947	414,500
Deferred tax liabilities (Note 18c) .....	(163,651)	38,316	(259,830)	(385,165)	(225,070)
Tax credits, net of deferred tax liabilities .....	<u>1,308,505</u>	<u>(974,164)</u>	<u>631,441</u>	<u>965,782</u>	<u>189,430</u>

The tax credits and deferred tax liabilities are calculated at the enacted tax rates on the balance sheet dates.

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

The estimated timing of realization and present value of the deferred income tax and social contribution arising from Provisional Measure 2158-35, existing at June 30, 2009, in accordance with the expected generation of future taxable income based on technical studies, follows:

<b>Expected realization</b>	<b>Temporary differences</b>	<b>Social contribution to be offset (PM 2158-35)</b>	<b>Total</b>
2009 .....	627,959	5,076	633,035
2010 .....	81,122	-	81,122
2011 .....	334,646	-	334,646
2012 .....	106,846	-	106,846
2013 .....	31,931	-	31,931
2014 to 2019/June .....	163,367	-	163,367
Total .....	<u>1,345,871</u>	<u>5,076</u>	<u>1,350,947</u>
Present value <sup>(*)</sup> .....	<u>1,171,568</u>	<u>4,946</u>	<u>1,176,514</u>

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

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**14. FOREIGN BRANCHES**

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

	<b>2009</b>	<b>2008</b>
Current assets and long-term receivables.....	11,174,359	7,822,506
Permanent assets.....	21	75
Current and long-term liabilities.....	17,557,682	12,274,650
Deferred income.....	673	1,824
Net income (loss) for the six-month period.....	81,018	(240,617)

The financial statements of the Bahamas and Uruguay branches of Itaú BBA were originally prepared in local currency in accordance with International Financial Reporting Standards and show no differences in relation to accounting practices adopted in Brazil. These financial statements were translated into Brazilian reais at the foreign exchange rates prevailing on the closing dates. The gains/losses in Brazilian reais arising from the translation of these financial statements into Brazilian reais were allocated to the Income from financial intermediation - Securities totaling R\$(831,667) (2008 - R\$(364,212)).

**15. LONG-TERM LIABILITIES**

These liabilities are principally represented by: (a) interbank deposits, time deposits and securities sold under repurchase agreements with remuneration predominantly in floating interest rates; (b) local onlendings from Brazilian government institutions (mainly, BNDES and FINAME); and (c) issue of securities abroad and foreign borrowings, at rates ranging from 1.27% to 5.86% per annum plus income tax withholding, when applicable.

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

Due up to	<b>2009</b>						
	Interbank deposits	Time deposits	Securities sold under repurchase agreements	Real estate notes, mortgages, credits and similar	Interbank onlendings	Local onlendings from official institutions	Issue of securities abroad and foreign borrowings
12/31/2010.....	3,264,067	1,699,169	219,566	11,266	2,378	464,692	191,876
12/31/2011.....	3,676,684	1,624,637	3,721,530	-	-	864,137	1,374,272
12/31/2012.....	1,359,320	198,481	139,262	-	-	731,601	629,680
12/31/2013.....	1,580,093	328,317	153,941	-	-	519,747	118,633
12/31/2014 to 12/31/2015.....	1,475,274	12,016	439,119	3,396	-	649,843	29,005
Over 12/31/2015.....	16,420,649	-	704,582	-	-	505,505	14,897
	<u>27,776,087</u>	<u>3,862,620</u>	<u>5,378,000</u>	<u>14,662</u>	<u>2,378</u>	<u>3,735,525</u>	<u>2,358,363</u>

Due up to	<b>2008</b>						
	Interbank deposits	Time deposits	Securities sold under repurchase agreements	Real estate notes, mortgages, credits, similar and Debentures	Interbank onlendings	Local onlendings from official institutions	Issue of securities abroad and foreign borrowings
12/31/2009.....	3,646,579	151,050	2,180,497	133,198	101	433,117	706,343
06/30/2010.....	8,090,786	723,001	4,086,679	-	101	333,848	86,198
12/31/2010.....	1,832,567	180,559	85,157	-	29,566	324,112	45,692
12/31/2011.....	2,236,346	172,288	255,380	-	-	556,572	186,013
12/31/2012.....	520,983	140,140	123,217	-	-	438,277	530,995
12/31/2013.....	744,239	267,805	-	-	-	293,741	68,374
12/31/2014 to 12/31/2015.....	1,208,591	-	64,751	3,059	-	397,982	192
Over 12/31/2015.....	12,697,214	-	99,749	-	-	171,249	336
	<u>30,977,305</u>	<u>1,634,843</u>	<u>6,895,430</u>	<u>136,257</u>	<u>29,768</u>	<u>2,948,898</u>	<u>1,624,143</u>

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

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

The capital of Itaú BBA comprises 10,569,053 (2008 - 10,569,052) nominative shares with no par value, held by local residents, composed as follows:

	<u>2009</u>	<u>2008</u>
Common shares:		
Class A .....	5,284,526	5,284,526
Class B .....	1	-
Preferred shares .....	5,284,526	5,284,526
Total .....	<u>10,569,053</u>	<u>10,569,052</u>

At the EGM of June 30, 2009, the stockholders approved an increase in capital of R\$1,000 with the issuance of 1 new class B common share (awaiting approval by BACEN).

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

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

**17. GUARANTEES TO THIRD PARTIES**

Guarantees to third parties amount to R\$13,373,598 (2008 - R\$9,247,981), represented by guarantees, sureties and other co-obligations.

**18. OTHER INFORMATION**

	<u>2009</u>	<u>2008</u>
<b>a) Other receivables - sundry:</b>		
Deferred income tax and contributions (Note 13b) .....	1,350,947	414,500
Escrow deposits on litigation:		
Linked to tax litigation (Note 12c) .....	607,461	545,366
Others .....	4,184	1,728
Taxes and contributions for offset .....	131,184	48,000
Amounts receivable from related companies (Note 19) .....	6,934	6,930
Operations without credit granting characteristics:		
Securities and credits receivable .....	228,544	86
(-) Allowance for other loan losses .....	(101,725)	-
Others .....	15,651	16,771
	<u>2,243,180</u>	<u>1,033,381</u>
<b>b) Other liabilities - sundry:</b>		
Accrued liabilities .....	42,312	41,547
Provision for contingent liabilities (Note 12b) .....	69,229	57,589
Accounts payable - local onlendings - Finame .....	28,733	16,542
Accounts payable to related companies (Note 19) .....	2,606	3,470
Others .....	26,836	20,812
	<u>169,716</u>	<u>139,960</u>
<b>c) Taxes and social security contributions payable:</b>		
Taxes and contributions on profits .....	401,224	316,688
Taxes and contributions payable .....	58,005	42,821
Provision for deferred taxes and contributions (Note 13b) .....	385,165	225,070
Legal liabilities - taxes and social security contributions (Note 12c) .....	944,158	728,820
	<u>1,788,552</u>	<u>1,313,399</u>
<b>d) Banking service fees: (*)</b>		
Income from economic and financial advisory .....	27,541	41,049
Income from brokerage .....	24,207	46,008
Loan operations and guarantees provided .....	97,811	49,847
Collection fees .....	28,732	24,609
Foreign exchange services .....	2,272	2,137
Other services .....	10,976	7,498
	<u>191,539</u>	<u>171,148</u>

(\*) Includes service fees from special and differentiated services, in accordance with articles 4 and 5 of CMN Resolution 3518/07. The fees for priority services are now disclosed under the heading Income from bank charges, in accordance with BACEN Circular letter 3324/08.

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	<u>2009</u>	<u>2008</u>
<b>e) Personnel expenses:</b>		
Compensation .....	(111,648)	(90,413)
Social charges.....	(38,223)	(29,277)
Benefits.....	(14,128)	(11,179)
	<u>(163,999)</u>	<u>(130,869)</u>
<b>f) Other administrative expenses:</b>		
Depreciation and amortization (Notes 11b and 11c) .....	(168,750)	(70,901)
Financial system services .....	(40,404)	(33,720)
Data processing and telecommunications .....	(37,738)	(19,485)
Third-party services.....	(34,528)	(21,854)
Facilities .....	(27,183)	(13,920)
Advertising, promotions and publications.....	(2,096)	(1,570)
Other.....	(14,649)	(11,817)
	<u>(325,348)</u>	<u>(173,267)</u>
<b>g) Composition of tax expenses:</b>		
COFINS.....	(138,479)	(73,914)
PIS.....	(22,543)	(12,031)
ISS.....	(11,787)	(8,765)
Other.....	(8,250)	(7,209)
	<u>(181,059)</u>	<u>(101,919)</u>
<b>h) Other operating income:</b>		
Income tax recoverable of the foreign branches .....	26,513	44,442
Charges and expenses recovered.....	10,035	1,912
Income on transactions of foreign branches.....	624	4,668
Other.....	1,524	1,045
	<u>38,696</u>	<u>52,067</u>
<b>i) Other operating expenses:</b>		
Goodwill amortization .....	(1,862)	(1,824)
Commission and financial intermediation expenses.....	(2,088)	(2,217)
Provision for contingencies - Civil (Note 12b) .....	(2,118)	(4,278)
Expenses on export and import transactions and others related to foreign trade.....	(9,525)	(8,338)
Other.....	(4,115)	(3,537)
	<u>(19,708)</u>	<u>(20,194)</u>

**j)** Non-operating income and expenses, net, refer basically to gains and losses on capital leases amounting to R\$5,440, and in 2008 R\$20,597 from the sale of the investment in BM&F Bovespa.

**k)** The assets given as guarantee totaled R\$3,660,393 (2008 - R\$4,713,164), and were represented by: (i) Securities R\$3,134,701 (2008 - R\$4,325,901); (ii) Investments in the open market R\$380,961 (2008 - nil); (iii) Margin deposits R\$105,294 (2008 - R\$353,254); and (iv) other assets R\$39,437 (2008 - R\$34,009). Of these amounts, R\$2,704,866 (2008 - R\$1,624,826) were given as guarantee of operations in the BM&F BOVESPA.

**l)** With respect to administrative proceedings filed by the Bank (in accordance with article 32 of Law 10522/02), the Bank has enrolled permanent assets totaling R\$39,437 (2008 - R\$34,009) as guarantees, represented by properties for own use of R\$8 (2008 - R\$10) and investments (shares) of R\$39,429 (2008 - R\$33,999). As a result of the unconstitutionality lawsuit nº 1976, the Federal Supreme Court declared unconstitutional the requirement of enrolling assets for considering voluntary appeals on April 10, 2007. Itaú BBA is requesting the cancellation of the enrollment of assets to the Federal Revenue Service.

**m)** In accordance with CMN Resolution 3198/04, Banco Itaú BBA S.A. adopted the single Audit Committee formed by the Itaú Financial Group, through the leading institution Itaú Unibanco Holding S.A. (the new company name of Itaú Unibanco Banco Múltiplo S.A., awaiting approval by BACEN). A summary of the Committee's report will be disclosed together with the financial statements of the leading institution on August 11, 2009.

**n)** Banco Itaú BBA S.A., through the leading institution Itaú Unibanco Holding S.A., adopted the structure for operational and market risk management in accordance with CMN Resolution 3380/06 and Resolution 3464/07. The description of the structure for operational and market risk management is available on the website (<http://www.itaunibancori.com.br>), under: corporate governance/ rules and policies/ operational risk management policy.

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**o) Law 11638 and Law 11941**

Law 6404/76 and 6385/76, were amended by Law 11638/07 and Law 11941/09, on aspects related to accounting practices, and the preparation and disclosure of financial statements, effective as from January 1, 2008.

The law sets forth that the rules issued by the CVM shall be prepared in conformity with international accounting standards.

The main changes arising from the Law are already included in these financial statements, including CVM regulations that do not conflict with those of BACEN, such as: disclosure of related parties, and transaction costs, and premium on issuance of securities.

However, the standards below still await BACEN's regulation to come into effect:

- Effects on changes in foreign exchange rates and conversion of financial statements;
- Adjustment to present value of long-term asset and liability operations, and of significant short-term operations.

**19. RELATED PARTY TRANSACTIONS**

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

	<b>Assets/(liabilities)</b>		<b>Income/(expenses)</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Investments in the open market .....	23,042,019	17,232,960	937,473	808,686
Interbank deposits .....	24,444,033	29,342,249	1,669,147	1,750,562
Securities and derivative financial instruments .....	7,376,338	2,221,096	1,812,280	2,538,252
Interbank accounts .....	162,859	34,790	-	-
Other receivables:				
Foreign exchange portfolio .....	3,670,255	3,770,211	113,769	993,658
Income receivable .....	37,953	8	373	1,017
Negotiation and intermediation of securities .....	371	5,597	-	-
Amounts receivable from subsidiaries (Note 18a) .....	6,934	6,930	-	-
Sundry receivables .....	143	190	-	-
Deposits .....	(55,757,396)	(50,463,863)	(3,153,035)	(2,730,629)
Securities sold under repurchase agreements .....	(9,984,244)	(1,010,681)	(264,409)	(27,710)
Issue of securities abroad .....	(1,628)	(3,476)	-	(428)
Interdepartmental accounts .....	(52,601)	(5,390)	-	-
Derivative financial instruments .....	(2,005,611)	(1,088,102)	(878,157)	(1,979,489)
Other liabilities:				
Foreign exchange portfolio .....	(3,600,810)	(3,800,447)	(49,141)	(505,493)
Social and statutory .....	(296,994)	(207,528)	-	-
Negotiation and intermediation of securities .....	(371)	(5,402)	-	-
Accounts payable to related companies (Note 18b) .....	(2,606)	(3,470)	-	-
Sundry liabilities .....	(2,412)	(19,485)	(47,429)	(44,433)



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(continued)

**20. RECLASSIFICATION FOR COMPARISON PURPOSES**

Certain reclassifications of balances at June 30, 2008 were made for comparison purposes, as a result of the regrouping of the following accounts and in order to comply with the requirements of Law 11638/07 (Note 18o).

	<b>Prior disclosure</b>	<b>Reclassifications</b>	<b>Reclassified balances</b>
<b>BALANCE SHEET</b>			
<b>CURRENT ASSETS AND LONG-TERM RECEIVABLES</b> .....	<b>108,248,788</b>	<b>(509,084)</b>	<b>107,739,704</b>
Securities and derivative financial instruments .....	18,362,655	(194,876)	18,167,779
Derivative financial instruments.....	3,666,564	(194,876)	3,471,688
Loans, lease and other credit operations .....	25,423,025	(25,423,025)	-
Operations with credit granting characteristics .....	25,747,588	(25,747,588)	-
Allowance for loan losses .....	(324,563)	324,563	-
Loans and other credit operations .....	-	24,916,710	24,916,710
Loans and other credit operations .....	-	25,235,869	25,235,869
Allowance for loan losses .....	-	(319,159)	(319,159)
Lease operations .....	-	4,206	4,206
Lease receivables.....	-	930,643	930,643
Unearned income from leases .....	-	(921,033)	(921,033)
Allowance for lease losses .....	-	(5,404)	(5,404)
Other receivables .....	12,156,231	187,901	12,344,132
Foreign exchange portfolio .....	10,393,806	187,901	10,581,707
<b>PERMANENT ASSETS</b> .....	<b>674,464</b>	<b>664,508</b>	<b>1,338,972</b>
Fixed assets .....	26,868	3,995	30,863
Properties for own use .....	4,958	7,647	12,605
Accumulated depreciation.....	(40,273)	(3,652)	(43,925)
Leased assets .....	-	664,508	664,508
Leased assets.....	-	660,160	660,160
Accumulated depreciation.....	-	4,348	4,348
Deferred charges .....	525,259	(525,259)	-
Goodwill of merged subsidiary.....	760,905	(760,905)	-
Accumulated amortization of goodwill .....	(239,641)	239,641	-
Organization and expansion expenditures .....	7,647	(7,647)	-
Accumulated amortization.....	(3,652)	3,652	-
Intangible assets .....	-	521,264	521,264
Other intangible assets .....	-	760,905	760,905
Accumulated amortization.....	-	(239,641)	(239,641)
<b>TOTAL ASSETS</b> .....	<b>108,923,252</b>	<b>155,424</b>	<b>109,078,676</b>
<b>CURRENT AND LONG-TERM LIABILITIES</b> .....	<b>102,627,595</b>	<b>155,424</b>	<b>102,783,019</b>
Derivative financial instruments .....	3,981,627	(188,054)	3,793,573
Other liabilities.....	12,868,365	343,478	13,211,843
Foreign exchange portfolio .....	10,593,082	181,079	10,774,161
Creditors for advance of residual value .....	-	162,399	162,399
<b>TOTAL LIABILITIES</b> .....	<b>108,923,252</b>	<b>155,424</b>	<b>109,078,676</b>

**NOTES TO THE FINANCIAL STATEMENTS AT JUNE 30, 2009 AND 2008**

All amounts in thousands of reais, unless otherwise indicated

(continued)

	<b>Prior disclosure</b>	<b>Reclassifications</b>	<b>Reclassified balances</b>
<b>STATEMENT OF INCOME</b>			
<b>INCOME FROM FINANCIAL INTERMEDIATION</b> .....	<b>4,379,477</b>	<b>419,044</b>	<b>4,798,521</b>
Loan, lease and other credit operations.....	410,132	(410,132)	-
Loans and other credit operations.....	-	797,685	797,685
Lease operations .....	-	27,044	27,044
Securities .....	2,991,449	42,884	3,034,333
Derivative financial instruments .....	822,123	(41,902)	780,221
Foreign exchange, net.....	155,763	3,465	159,228
<b>EXPENSES ON FINANCIAL INTERMEDIATION</b> .....	<b>(3,088,221)</b>	<b>(418,862)</b>	<b>(3,507,083)</b>
Funds obtained in the market .....	(3,133,685)	(103,278)	(3,236,963)
Borrowings, credit assignments and onlendings .....	102,933	(290,033)	(187,100)
Lease operations .....	-	(22,046)	(22,046)
Allowance for loan losses .....	(57,469)	(3,505)	(60,974)
<b>GROSS INCOME FROM FINANCIAL INTERMEDIATION</b> .....	<b>1,291,256</b>	<b>182</b>	<b>1,291,438</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b> .....	<b>(188,553)</b>	<b>(182)</b>	<b>(188,735)</b>
Commissions and fees.....	170,804	344	171,148
Other administrative expenses.....	(173,243)	(24)	(173,267)
Other operating income .....	52,569	(502)	52,067
<b>NET INCOME</b> .....	<b>684,925</b>		<b>684,925</b>

THE EXECUTIVE BOARD

Mario Luiz Amabile  
Accountant CRC 1SP129089/O-1

## **REPORT OF INDEPENDENT AUDITORS**

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To the Board of Directors and Stockholders  
Banco Itaú BBA S.A.

- 1 We have audited the accompanying balance sheets of Banco Itaú BBA S.A. at June 30, 2009 and 2008, and the related statements of income, of changes in stockholders' equity and of cash flows for the six-month periods then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Bank, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Banco Itaú BBA S.A. at June 30, 2009 and 2008, and the results of its operations, the changes in stockholders' equity and its cash flows for the six-month periods then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, August 10, 2009

**PRICEWATERHOUSECOOPERS** 

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/0-5

Emerson Laerte da Silva  
Contador CRC 1SP171089/0-3

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